

# FINANCIAL TIMES

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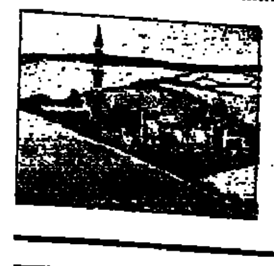

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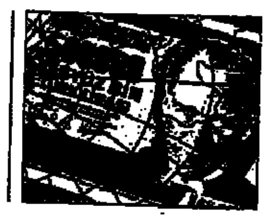

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## WORLD NEWS

### Beijing warns US over Taiwan defence system

China warned the US that the deployment of a US-backed missile defence system for Taiwan would harm the security of the Asia-Pacific region and damage bilateral relations. **Page 20; Flawed security, Page 7**

**Senate approaches Clinton vote**
The US Senate moved towards a final vote on the impeachment charges against President Bill Clinton amid a furore over whether the White House planned to "target" Republicans who had supported his conviction. **Reports, Page 6**

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**Rome attacked over immigrant plan**
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**US jets strike Iraqi air defences**
US fighter jets patrolling the northern no-fly zone over Iraq struck two communications sites, two surface-to-air missile systems and a radar site near the northern town of Mosul.

**Poland set to sell defence interests**
Poland said it was willing to sell parts of its defence industry to foreign bidders. **Europe, Page 3**

**Sponsors stand by Olympic Games**
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**German union moves towards strike**
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**Autonomy for East Timor 'this year'**
President B.J. Habible of Indonesia said he wanted East Timor to settle for autonomy or independence by the end of this year. **Asia-Pacific, Page 7**

**Ireland's coalition looks shaky**
Ireland's minority coalition looked shaky after losing the support of the daughter of Padraig Flynn, the European commissioner embroiled in a political donations scandal. **Europe, Page 2**

**Austria returns looted art**
Austria agreed to return to the Rothschild banking family 250 art treasures looted by the Nazis. **Europe, Page 2**

## BUSINESS NEWS

### Van Miert outlines concern over sale of Marconi defence arm

British Aerospace's £7bn ($11.5bn) purchase of GEC's Marconi defence division could provoke competition concerns, EU competition commissioner Karel Van Miert warned. Separately, approval of the proposed $10bn joint venture between British Telecommunications and AT&T of the US moved closer when Mr Van Miert said the telecoms companies would divest assets on the UK market. **Van Miert's concerns, Page 20; BT results, Page 27; Lex, Page 20**

**Royal Dutch/Shell** chairman Mark Moody-Stuart presented the Anglo-Dutch oil group's worst quarterly results and said he expected to be fired if he failed to improve the group's financial performance. **Companies and markets, Page 21; Lex, Page 20; Commodities, Page 32**

**Scania** shares fell 12 per cent after Investor, its controlling shareholder, played down the prospect of the Swedish group merging with rival truckmaker Volvo. **Companies and markets, Page 21; Results, Page 22**

**Japan's** ministry of international trade and industry is believed to be considering a plan under which manufacturers would receive emergency funding to help them cut excess capacity. **Japan's big issue, Page 19**

**Engineering industry output** in western Europe is expected to decline this year after several years of strong growth. **World trade news, Page 4**

**Philips**, Dutch electronics group, reported a 56 per cent slide in net profits from operations last year to Fl 1.19bn (€540m, $610m) after its aborted entry into the US market for mobile phones. **Companies and markets, Page 21**

**Clariant**, Swiss-based speciality chemicals group, plans to invest most of its surplus cashflow in the rapid expansion of its fine chemicals business. **European companies, Page 22**

**Barclays Bank** of the UK named Michael O'Neill, a 52-year-old Bank of America official, to replace Martin Taylor as chief executive. **Companies and markets, Page 21; Lex, Page 20**

**Seagram**, US drinks and entertainment group, reported a second quarter deficit of $266m following charges related to the acquisition of PolyGram. **US companies, Page 25**

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# Russia 'moved reserves to tax haven'

## Ex-central bank chief confirms transfers

By John Thornhill and Andrew Jack in Moscow, Arkady Ostrovsky in London and Philip Jeune in Jersey

Russia transferred a portion of its hard currency reserves to an obscure fund management company based in the tax haven of Jersey, the biggest of the Channel Islands between England and France, between 1993 and 1997, Sergei Dubinin, the former head of Russia's central bank, admitted yesterday.

The transfers, which included monies from the International Monetary Fund, were an attempt to shield the funds from foreign creditors, according to Mr Dubinin.

Mr Dubinin's comments are the first confirmation of long-held suspicions that the central bank moved money offshore after the collapse of the Soviet Union.

Though not illegal, the transfers could complicate the Russian government's talks with foreign creditors as it seeks to restructure its $150bn of external debt and strike a new deal with the IMF.

Russia's prosecutor general – which is investigating the affair – has alleged that up to $50bn of central bank reserves may have been transferred offshore over the past five years. But Mr Dubinin said that the highest sum ever held in Jersey through a company called Fimaco was $1.4bn in 1994.

The IMF, which was unaware of Fimaco's existence, is understood to have launched its own investigation. It believes the transferred assets were still recorded in official central bank reserve statistics at the time, although many economists have questioned whether the figures are reliable.

In an open letter to President Boris Yeltsin yesterday, Mr Dubinin rejected any charges of wrongdoing.

He accused the prosecutor general's office of conducting a smear campaign to destroy the central bank's independence.

Mr Dubinin, who ran the central bank from 1994-98, said Fimaco had been created in 1990 by Eurobank, a Paris-based bank which is 78 per cent-owned by Russia's central bank.

In 1993 the central bank asked Fimaco to manage part of its foreign currency reserves but withdrew all its funds in 1997. Fimaco incurred losses of FFr42m ($7.22m) in 1997.

Mr Dubinin said one foreign creditor had been pursuing legal action in Luxembourg and Switzerland in the early 1990s to seize Russian bank assets following the country's default on its Soviet-era debts. The central bank had transferred monies to Fimaco to protect its currency reserves.

"We are convinced that Fimaco was an essential measure for the defence of the economic security of the country. And now this mechanism has been destroyed," he said.

Mr Dubinin accused the prosecutor general's office of jeopardising Russia's security interests by disclosing details of Fimaco's operations.

Charles Blitzer, a former World Bank economist in Moscow, said reports about Fimaco's operations raised serious concerns about how the central bank had been run.

"The answers to the really interesting questions are unknown. How much money was in this fund? How much money was made on it?

"And who pocketed it?" he said.

Revelations rock bank, Page 2

River of grief: Ethnic Albanians carrying the coffins of 40 villagers who were massacred last month in the Kosovo village of Racak. Thousands of mourners followed them to the tiny hillside cemetery. Peace talks continue, Page 2 AP

LONDON COMPANY MRG BELIEVED TO HAVE CAPTURED 30% OF WORLD SUPPLY

# Cobalt trebles as trader buys stocks

By Paul Solman

A London trading company has become a dominant force in the market for cobalt, causing the price of the metal, an essential element in super alloys and speciality chemicals, to treble so far this year to $18 a pound.

MRG Cobalt Sales, a specialist metals trader, is thought to have been aggressively buying stocks of cobalt since the middle of last year when prices were falling.

It has signed marketing arrangements with Gecamines, the Democratic Republic of Congo's state-owned mining group, and ZCCM of Zambia, two of the world's biggest suppliers.

Industry insiders say MRG now controls about one third of the world's cobalt supply.

"MRG controls a lot of the deliverable metal, but they are not selling," one trader said yesterday.

MRG, a 10-year-old trader and distributor of specialist metals company controlled by the Weisfich brothers, was unavailable for comment.

"Consumers and some traders thought they could keep prices low last year by running down stocks and buying as and when they needed it," a trader said. "Now they can't find any metal and they're getting desperate, pushing prices higher."

Cobalt is an element in super alloys used for making engine turbines. It is also used in making batteries, tyres and blue colourings for glass. It is traded openly between buyers and sellers, not on any exchange.

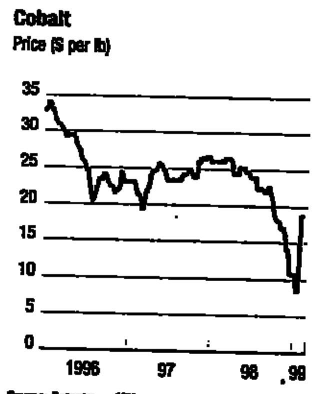
Apart from Zambia and Congo, Russia is a big supplier of cobalt but is having difficulty delivering because of cuts and closures at its plants. Smaller producers in Australia, expected to come on stream this year, have also been delayed.

Traders said big Canadian mining groups, such as Falconbridge, Inco and Sherritt International, which together provide about 30 per cent of the world's cobalt, had barely enough metal to cover commitments entered into last year and were unable to buy more on the open market.

David Elliott, cobalt marketing manager at Falconbridge, said yesterday the company had sufficient stocks to supply its existing customers. But he conceded that the market was tight and said there was no excess material available.

Another important source of cobalt is the US Defence Logistics Agency, which stockpiled strategic metals during the cold war but is now disposing of its supplies through monthly sales. Last month's sale, at which MRG acquired all the metal offered, was so heavily oversubscribed that the DLA is to hold an extra one in March. The next sale is on February 23.

"As consumers get more desperate, and DLA sales are overbid, prices are likely to rise even further," said Nick French at Quest Metals in London.





Source: Datastream/ICV

# France offers to broker rate policy

By Robert Graham in Paris

France wants to act as honest broker between the euro-zone and the US on future euro-dollar exchange rate policy, according to Dominique Strauss-Kahn, the French finance minister.

Mr Strauss-Kahn is aiming to build a common position with Germany on exchange rates, which will provide the foundation for a "system of enhanced [economic] co-operation" within the Group of Seven leading industrialised nations. The French initiative was first outlined to European finance ministers this week.

In an interview with the Financial Times, Mr Strauss-Kahn made clear that German ideas of establishing "target zones" for the euro against the dollar and yen were not practical at the moment and that Paris and Bonn were discussing an acceptable alternative foreign exchange policy for the euro-zone.

Aware of US objections to the idea, he added: "We [France] are in a position to mediate in order to create a consensus within the G7."

Mr Strauss-Kahn returned yesterday from Germany as a guest of Oskar Lafontaine, his opposite number in Gerhard Schröder's government.

Mr Lafontaine has been a strong supporter of building foreign exchange policy in the single currency area around target zones. French officials note that Mr Lafontaine has begun to back away from such overt advocacy this month, but Germany and France, the two dominant euro-zone countries, have yet to agree a common approach.

The French minister is pushing for an agreement that will enable France and Germany to have a common voice at the meeting of G7 finance ministers in Bonn on February 20.

Mr Strauss-Kahn is also due to accompany President Jacques Chirac to the US next week, when France will argue for closer surveillance of the dollar/euro exchange rate. For the French, the recent weakening of the euro against the dollar has underlined the need to establish better US-European co-ordination.

"Either we are in a situation where Europe, Japan and the US are unable to co-operate and there is no room for a serious discussion of current account imbalances or – as I hope – we can benefit from a system of enhanced co-operation," he said.

The French see this co-operation resting on two pillars: reinforced co-ordination within the G7 on macro-economic policies; and closer surveillance of exchange rates.

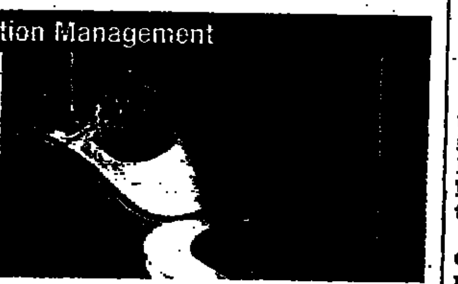
On exchange rates, the French point out that the currencies of the euro-zone countries within the G7 - France, Italy, Germany - have fluctuated over the last 10 years within a 15 per cent band in both nominal and real terms.

Mr Strauss-Kahn told the 11 euro-zone finance ministers that "specific instruments" should be developed for monitoring the dollar/euro exchange rate.

Strauss-Kahn's offer, Page 18

Mastering Information Management

The FT's 12-part series on the I in IT continues on Monday.
Part Three: Managing IT in the business



## WORLD MARKETS

| STOCK MARKET INDICES | | |
|---|---|---|
| **New York: Lunchtime** | | |
| Dow Jones Ind Av | 9,263.82 | (+96.51) |
| NASDAQ Composite | 2,378.70 | (+64.20) |
| **Europe and Far East** | | |
| CAC40 | 4,072.34 | (+70.41) |
| DAX | 4,839.33 | (+42.51) |
| FTSE 100 | 5,858.5 | (+118.3) |
| FTSE Eurotop 300 | 1,181.18 | (+16.82) |
| Nikkei | Closed | |
| **US Lunchtime RATES** | | |
| Federal Funds | 4.75% | |
| 3-mth Treas Bills: Yld | 4.51% | |
| Long Bond | $98\frac{7}{32}$ | |
| Yield | 5.37% | |
| **OTHER RATES** | | |
| UK: 3-mo Interbank | $5\frac{5}{8}$% | ($5\frac{7}{16}$%) |
| UK: 10 yr Gilt | 136.37 | (136.42) |
| BBA Eurolibor | $3\frac{1}{32}$% | ($3\frac{1}{16}$%) |
| Germany: 10 yr Bund | 107.41 | (107.32) |
| Japan: 10 yr JGB | – | (98.426) |
| **NORTH SEA OIL (Argus)** | | |
| Brent Dated | $9.895 | (9.85) |

| GOLD | | |
|---|---|---|
| **New York Comex** | $288.6 | (288.0) |
| **London** | $287.95 | (287.25) |
| **DOLLAR** | | |
| **New York Lunchtime** | | |
| £ | 1.6237 | |
| € | 0.8861 | |
| SFr | 1.4171 | |
| Y | 114.65 | |
| **London** | | |
| £ | 1.6256 | (1.6290) |
| € | 0.8852 | (0.8832) |
| SFr | 1.4152 | (1.4102) |
| Y | 114.30 | (114.52) |
| **Tokyo** | | Closed |
| **EURO (London)** | | |
| $ | 1.1298 | (1.1322) |
| £ | 0.6960 | (0.6951) |
| Y | 129.181 | (129.654) |
| SFr | 1.5988 | (1.5966) |

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Euro-zone target price €2.15. Prices in local currency as shown

| | | | | | |
|---|---|---|---|---|---|
| Bahrain | Din1.300 | Iceland | IKr285 | Oman | OR1.75 |
| Belgium | BFr90(€2.23) | Italy | L3900(€2.01) | Poland | Zl 10.00 |
| CIS | US$4.00 | Jordan | JD1.75 | Portugal | Esc320(€1.60) |
| Croatia | Kn19.00 | Kuwait | KWD0.750 | Qatar | QR13.00 |
| Denmark | DKr15.00 | Latvia | Ls1.80 | South Africa | R15 |
| Estonia | EK34.00 | Lithuania | Lt21.00 | Spain | Pta325(€1.95) |
| Finland | FmK13.00(€2.19) | Lebanon | LBP3,500 | Sweden | SKr20.00 |
| France | FFr14.00(€2.13) | Luxembourg | LFr90(€2.23) | Switzerland | SFr3.50 |
| Gibraltar | £0.85 | Morocco | Dh15.00 | Syria | S£80.00 |
| Greece | Dr650 | Netherlands | Fl 4.80(€2.18) | Tunisia | Din2.000 |
| Hungary | Ft300 | Norway | NKr19.00 | UAE | Dh13.00 |

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# WORLD NEWS
## EUROPE

# Revelations rock Russian central bank

By Andrew Jack and John Thornhill in Moscow and Arkady Ostrovsky in London


Yuri Skuratov, public prosecutor, against the background of his letter on the central bank audit

When Yuri Skuratov, Russia's chief public prosecutor, wrote a letter to parliament at the start of this month warning of possible irregularities at the central bank, he triggered an extraordinary chain of events.

The following day, he officially resigned "for health reasons". Many believed he had been sacked by President Boris Yeltsin in retaliation for the escalating attacks in recent weeks on companies linked to the self-styled business "oligarch", Boris Berezovsky, the controversial financier. But his inquiry into the central bank is proving just as sensitive, and may have wider international ramifications.

Mr Skuratov claimed that up to $50bn in foreign currency had been transferred out of central bank funds between 1993 and 1997 and handed to an obscure offshore company for management. He unearthed a paper trail that stretches from the vaults of the central bank in Moscow to a brass-plate company in Jersey.

He identified a company with an authorised share capital of $1,000 called Financial Management (FIMACO) Ltd, based in Jersey in the Channel Islands, into which the bank's funds had passed. Company registration documents show it was set up in November 1990.

At least since 1993, it has been controlled by the Paris-based Banque Commerciale pour l'Europe du Nord (Eurobank). The Banque Commerciale is in turn controlled by the Russian central bank, with minority stakes held by other Russian companies, notably Centrosoyuz, Promstrozhbank, GPVO Novoexport, Yukos, Rosneft and Almazy Rossii Sakha.

The existence of the central bank's link with FIMACO is in no doubt. Both Sergei Dubinin, head of the bank until 1998, and Viktor Gerashchenko, his predecessor who took the job on again last August, have now explicitly admitted it.

It is not uncommon for central banks to use external managers and place money offshore. But Gordon Bowling, in charge of central bank relations at Donaldson, Lufkin & Jenrette in New York, said: "Typically, central banks go through a long, drawn out process of selecting managers. They then put the money into well known organisations with plain vanilla management."

More open to question are the sums of money transferred, what happened to them, and why the mechanism was used in the first place. Some accuse Mr Skuratov of grossly inflating the amounts involved. Mr Dubinin says a maximum of $1.4bn was handed to FIMACO at any one time. That tallies with the relatively modest sums shown in its balance sheet, such as FFr1.2bn (€182m, $206m) at December 31 1997.

Mr Dubinin suggests that Mr Skuratov is spearheading a broader political campaign to destabilise the central bank and threaten its legally enshrined independence, notably at a time when it is coming under huge and conflicting pressures given the fragile state of Russia's finances.

On Wednesday, Boris Fyodorov, Russia's finance minister in 1993, joined the fray by stating he ran into "a wall of silence" when he asked the central bank to explain how it was managing the country's reserves. Similar frustrations over the institution's secrecy have been expressed by the auditing chamber, the Russian parliament's watchdog, which has tried to investigate the bank's operations.

Speaking about FIMACO, Mr Fyodorov alleged: "In reality, as I understand, friends were given a chance to make some money." He suggested that the operation would have generated "tens of millions of dollars" in commissions, but equally demonstrated he had little inside knowledge by saying there was a need to investigate whether such fees were repatriated to Russia.

What is more certain, and just as worrying, is that both central bank governors have admitted that the mechanism in Jersey was set up to conceal funds from seizure by foreign creditors. Its action was in response to Noga, a Swiss company that managed to freeze some of its assets abroad in 1993. But the tool remains in place.

Over the last few months, foreign creditors have feared that Russian companies were concealing assets to protect themselves from legal action. Observers yesterday warned that to see the central bank indulging in similar practices would do little to ease the country's attempts to seek money from international creditors.

# UK to reject proposals on Gibraltar

By Andrew Parker in London and David White in Madrid

The UK government yesterday indicated it would reject Spanish proposals for joint sovereignty over Gibraltar, the British territory, as the dispute over the rock's future escalated.

UK government officials insisted there had been no damage to Anglo-Spanish relations, which Tony Blair, British prime minister, is keen to strengthen as part of his initiative to secure greater influence in the European Union.

However, in Madrid, Britain's ambassador to Spain lodged a protest against threatened extra restrictions on movements in and out of Gibraltar. In addition, an annual meeting about Gibraltar between Robin Cook, UK foreign secretary, and Abel Matutes, his Spanish opposite number, has been delayed until after a heads of government summit in the spring.

Mr Cook's meeting, to focus on Spain's proposal for joint sovereignty, should have taken place at the end of last year. UK government officials said it would not happen now until after Mr Blair meets Jose Maria Aznar, Spain's premier.

Mr Blair's spokesman said giving up control of Gibraltar was "not on the agenda". "It's no point pretending this is not a problem. It is a problem," he said.

Joyce Quin, UK minister for Europe, said Britain intended to lodge a formal protest with the European Commission over the Spanish threat not to admit drivers with Gibraltar-issued driving licences.

She said "unjustifiably long delays" for Gibraltarians at the Spanish border were linked to the Spanish government's objections to an agreement on fishing rights agreed last month between Peter Caruana, Gibraltar's chief minister, and local fishermen. The UK has protested to the commission about the delays.

"The threat that was issued not to accept Gibraltar driving licences is a direct contravention of the relevant EU directive," she told the UK parliament, indicating a willingness to take legal proceedings in the European Court of Justice.

British MPs denounced the Spanish threats, comparing them with the decision of the Franco dictatorship to close the border 30 years ago. One MP from the governing Labour party urged ministers to "take the kid gloves off" and send a naval vessel to protect Gibraltarian fishermen.

The Madrid government, meanwhile, has set up an inter-ministerial committee to co-ordinate a campaign in Brussels against alleged illicit activities in Gibraltar. It has complained about delays in enforcing EU directives in the colony, which is part of the EU but excluded from the customs union and value-added tax.

# Ireland's coalition looking shaky

By John Murray Brown in Dublin

Ireland's minority coalition looked increasingly shaky last night, after losing the support of the daughter of Padraig Flynn, the country's European commissioner who is embroiled in a political donations scandal.

Beverley Cooper-Flynn accused the Fianna Fail party of "buying today's survival at the cost of tomorrow's existence", before the party whip was withdrawn from her after she voted against the government on Wednesday night.

Fianna Fail had tabled a motion calling on Mr Flynn to explain to parliament an alleged I£50,000 ($71,650) donation from a UK-based businessman in 1989, which was intended for Fianna Fail but which the party says was never passed on.

Ms Cooper-Flynn's loss leaves Bertie Ahern, the prime minister, increasingly dependent on the four Progressive Democrats and four independents to sustain his majority.

Mary Harney, the PD leader, last week publicly backed Mr Ahern but party officials say her continued support will depend on revelations from the government corruption investigations.

Mr Ahern withstood opposition charges about his own meetings with the businessman, Tom Gilmartin. Indeed, he has been quick to distance himself from the wave of corruption allegations against former party colleagues.

Mr Flynn – who is known in his former Mayo constituency as Flynn the Provider – has declined to elaborate on allegations he received the cheque when he was Fianna Fail treasurer. The social affairs commissioner said he would provide any necessary information if called to give evidence to the government-appointed tribunal.

**QUOTA POLICY AMENDMENT** 270,000 ILLEGAL RESIDENTS WILL BE GIVEN THE RIGHT TO STAY IN COUNTRY

# Rome attacked over immigrant plan

By James Blitz in Rome

The Italian government has announced plans to allow about 270,000 illegal immigrants to acquire full residence rights in Italy, triggering claims from opposition politicians that the country is once again turning soft on immigration policy.

In an amendment of a tough quota policy introduced four months ago, Massimo D'Alema's government is to allow the illegal immigrants immediately to acquire residence rights if they can prove they are making a living in Italy.

Mr D'Alema's predecessor as prime minister, Romano Prodi, last year announced plans gradually to legalise Italy's large community of illegal immigrants, creating a new system of annual quotas and ruling that 38,000 people would be given residency rights this year.

However, the government has now decided to extend the amnesty to cover nearly all of the 308,000 people who have besieged government offices in the last four months and applied for residency permits under the scheme.

Many of those applying for permits have been living in Italy for years. In many cases they have managed to find jobs in the north of the country, where low unemployment levels mean employers are often tempted to hire black-market labour.

Rosa Russo Jervolino, Italy's interior minister, has argued that the extension of the amnesty will bring many illegal immigrants out of the black economy. She has stressed that, to qualify for a residence permit under the scheme, applicants must show they have accommodation and a job and have been in Italy since March last year.

She has also given assurances that more stringent efforts will be made to stem further waves of illegal immigration and that tighter quotas will be adopted in future.

Nevertheless, Italy's rightwing opposition argues the government has effectively sent a signal to potential refugees in eastern Europe and the Mediterranean that they can come to Italy illegally with a reasonable chance of getting a residence permit.

"Giving 250,000 illegal immigrants these rights amounts to saying: 'Come to Italy, sooner or later everything will be OK'," said Gianfranco Fini, leader of the rightwing Alleanza Nazionale.

**DUAL NATIONALITY PLANS** PARTY'S COALITION POSITION WEAKENS

# German Greens in shift on citizenship

By Frederick Stüdemann in Bonn

Germany's Green party yesterday said it was ready to compromise over plans to liberalise the country's citizenship laws, as the party's weakening position within the governing coalition since last weekend's regional election debacle became clear.

Gunda Röstel, the party's co-chairperson, said in a radio interview that the government's loss of its majority in the Bundesrat, or upper house, following Sunday's vote in Hesse meant the party had to be prepared to "move a little".

Earlier post-election comment from the Green camp had indicated there would be no room for manoeuvre on the citizenship issue.

Her remarks came as Otto Schily, federal interior minister, said the government would look at various options to reform citizenship laws, on which the opposition Christian Democratic Union fought and won the Hesse election.

These options may include limiting the number of people eligible for dual nationality from the original estimate of 7.3m and placing restrictions on the length of time people could hold two passports.

The Greens' latest concession, which follows compromises in other core policy areas such as the pace of withdrawal from nuclear power and increases in energy taxes, highlights the party's wish to avoid further rifts within Germany's first "red-green" federal government.

After the defeat in Hesse, where the Green's share of the vote fell from 11.2 per cent to 7.2 per cent, Gerhard Schröder, the German chancellor and leader of the Social Democratic party, reminded the Greens that as junior coalition partners they could not determine the government's agenda with "minority issues" such as nuclear power. Mr Schröder's SPD slightly increased its share of the Hesse vote, but not enough to defeat the CDU.

In a newspaper interview, Mr Schröder said the Greens should respect the need to secure wider support in society for government policies.

"To put a finer point on it, when it comes to the policies of the Greens we need more [foreign minister, Joschka] Fischer and less [environment minister, Jürgen] Trittin," the chancellor said.

Mr Fischer, the most popular member of the new government, is widely judged to have made a pragmatic and accomplished start as foreign minister. Mr Trittin's hardline stance on withdrawal from nuclear power provoked a cabinet split, forcing Mr Schröder to intervene and water down the government's original policy.


Joschka Fischer: the most popular member of the new government

# IG Metall moves towards strike

By Tony Barber in Frankfurt

Germany's biggest trade union, IG Metall, took the first formal steps towards an all-out strike yesterday when union officials in the most important industrial regions declared wage negotiations to have broken down and called for a nationwide strike ballot.

IG Metall leaders in Baden-Württemberg, Bavaria, Lower Saxony, North Rhine-Westphalia and five northern coastal districts asked the union's national board to order a strike vote by the 2.7m rank-and-file members between February 22 and 24.

First signs were that the national board, which will meet in Frankfurt on Sunday, would approve the request.

If 75 per cent of IG Metall's members support going on strike, the walkout is expected to start on March 1.

"This sequence of events is inevitable," said Jürgen Peters, IG Metall's deputy leader.

Tens of thousands of metal and electrical workers staged brief warning strikes yesterday for the 10th successive weekday in support of their demand for a 6.5 per cent annual pay rise. The employers' association, Gesamtmetall, has formally offered 2.3 per cent, plus 0.5 per cent extra from companies that can afford it. Informally, it has signalled it might nudge its offer up to 3 per cent in total. Economists say the European Central Bank, which sets monetary policy for Germany and 10 other euro-zone countries, may delay an expected cut in interest rates if the employers concede a wage increase above 3 per cent. The annual IG Metall contract sets a benchmark for wage settlements in Germany, the largest euro-zone economy.

# Kosovo talks poised to enter second week

By David Buchan, Diplomatic Editor

Robin Cook, Britain's foreign secretary, yesterday forecast the Kosovo peace talks would have to be extended into next week, because of the Serbian delegation's insistence that Albanian negotiators join it in signing up to a set of general principles on the embattled province's future.

Mr Cook spoke after he and the other co-chairman of the peace talks, Hubert Védrine, the French foreign minister, visited the Rambouillet chateau where negotiations have been in train for the past five days.

The principles, on which the Serbian side is insisting, were set down at the outset by the six-nation Contact Group of mediating countries. But Mr Cook said Serbian tactics were blocking progress, as they prevented deeper discussion of many points in the detailed 24-page draft plan. The Kosovar Albanians refuse to sign the general principles at this stage, fearing this would preclude their long-term goal of independence.

Mr Cook's comments rebutted the earlier claim by Serbian television in Belgrade that the Serbian decision to sign the principles came at the suggestion of Mr Cook and Mr Védrine.

The two ministers were joined yesterday by Milan Milutinovic, the Serbian prime minister, who had flown in to talk to his delegation.

Mr Milutinovic urged the European ministers to press the Kosovar Albanian delegation to renounce their goal of seeking independence from Yugoslavia. If the Albanians did not make such a pledge, the peace conference would fail, he warned.

The Contact Group's set of principles is only a general one-page summary of its 24-page peace draft.

The Serbs like it because it endorses Yugoslavia's "territorial integrity" while giving Kosovo interim autonomy within it, and does not specify the mechanism for a final settlement after three years.

The Albanians want an eventual referendum on independence and an immediate ceasefire to get Nato peacekeeping troops into the embattled province.

In Belgrade, Vojislav Seselj, Serbia's deputy prime minister, issued a warning to Nato not to try to send troops against Yugoslavia's will.

"We do not underestimate Nato's force, but it is better for the alliance not to hit our country because if it ventures to attack us it will need coffins much more than it will need guns," he said.

## NEWS DIGEST

**RESTITUTION OF EXTENSIVE COLLECTION**

### Austria returns looted art to Rothschild family

Austria yesterday agreed to return to the Rothschild family some 250 art treasures looted by the Nazis and absorbed into state museums after the second world war, marking a first step towards returning thousands of other objects to their rightful owners.

"With this restitution we want to demonstrate. . . justice. Austria is signalling a new awareness in dealing with its past," said Elisabeth Gehrer, minister of education and cultural affairs.

Austria set up a commission of experts last year to trace the origins of art looted during the Third Reich. The extensive collection owned by the Austrian branch of the Rothschild banking family was confiscated during Nazi rule between 1938 and 1945. Like many other Austrian Jews who fled abroad to escape the Holocaust, the Rothschilds lost valuable artworks for the second time after the collapse of the Third Reich, when the new Austrian state imposed an export ban on the items.

The art treasures include paintings, drawings, antique furniture, carpets, weapons and coins. **Reuters, Vienna**
**Editorial Comment, Page 19**

**GENETICALLY MODIFIED ORGANISMS**

### MEPs back 12-year licences

The European Parliament yesterday backed proposals allowing licences to market genetically modified organisms to last up to 12 years. The vote disappointed environmental and consumer groups which support a seven-year limit put forward by the European Commission, the EU's executive. The issue of how to change EU law on GMOs will be decided jointly by EU governments and the parliament. Some governments support the idea of 12-year licences.

MEPs voted for compulsory labelling of all modified organisms and said GMOs must not contain antibiotic-resistant genes or traces of toxic substances. Companies producing GMOs should be responsible for damage to health or the environment. **Michael Smith, Brussels**

**CZECH CASINOS**

### Prague amends lottery law

The Czech parliament yesterday bowed to international criticism and amended a law on lotteries that had prevented foreign companies from running casinos or even normal sales promotions. The law, passed last year, was aimed at casinos run by foreign mafia but it also stopped companies with foreign capital from using consumer competitions for marketing purposes. The European Union and US complained that this was protectionist and violated international agreements.

The amended law now permits foreign companies to run casinos, with the consent of the Finance Ministry. Consumer competitions in which customers qualify with the purchase of one product are also limited to paying Kč200,000 ($6,000) in annual prize money and a single win must not exceed Kč20,000. **Robert Anderson, Prague**

**UKRAINE POWER SECTOR**

### Energy minister dismissed

Ukraine's minister of energy was sacked yesterday, becoming the second senior official in the energy sector to be dismissed in a month. President Leonid Kuchma said the sacking of Aleksei Sheberstov was due to "serious deficiencies" in his work, pointing to the ministry's policy of cutting off the electricity of users unable to pay. Mr Kuchma had wanted the ministry to continue supplying non-paying consumers in winter, especially rural villages.

In January Anatoly Holubchenko, the first deputy prime minister for energy policy, was forced to resign and his replacement was ordered to "clean up the energy sector". Serhiy Osika, the minister of foreign economic relations, was also sacked last month. **Charles Clover, Kiev**

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**ROMANIAN INCENTIVES** PARLIAMENT'S SUSPENSION OF CONCESSIONS LABELLED A 'SERIOUS BREACH OF FAITH'

# Investors hit out at Bucharest

By Joe Cook in Bucharest

Romania's Foreign Investors Council, representing 60 companies that have invested more than $2.5bn in the country, has lashed out at the government's suspension of investment incentives, calling it a "serious breach of faith".

Parliament this week suspended incentives contained in a 1997 government decree on foreign investment. They included customs duty and value-added tax exemptions on imported capital goods and the offset of advertising expenditure against tax.

Anthony van der Heijden, head of the council and the managing director of ING Barings in Romania, said: "Does this unilateral breach of agreements also mean that the obligation of foreign investors towards the state's privatisation agency may be suspended if they so decide?" The suspension of investment incentives would "have a serious impact on Romania's credibility with existing investors, and future investors will have to be very, very careful".

Traian Remes, finance minister, had urged parliament to cancel the concessions as otherwise the 1999 budget deficit target, 2 per cent of gross domestic product, would increase dramatically and push Romania towards default on this year's foreign debt service payments of $2.9bn.

Approval of the budget is among the conditions for new International Monetary Fund credits, which are essential to Romania's efforts to avoid default. A team from the IMF will open negotiations with Bucharest next week.

The government has also angered both foreign and domestic producers and distributors of alcohol, tobacco, coffee and soft drinks with a decree designed to control their trade and improve tax collection.

The companies say the law is against business and the consumer, contradicts free market principles and damages Romania's attraction to foreign investors.

> 'Future investors in Romania will have to be very, very careful'

Emergency Ordinance 50, issued last December, decrees that only a single licensed distributor supplying 15 licensed wholesalers of alcohol, tobacco and coffee products can operate in each of Romania's 42 counties.

"This restricts our ability to sell beer. It will make beer more expensive to the consumer and it will lead to the creation of local monopolies," said John Gore, chairman of Brewery Holdings, a UK-based investment company that has invested more than $50m in the acquisition of majority stakes in three Romanian brewers.

"Ordinance 50 is a move away from the free market principles that attracted us as investors to Romania in the first place," said Mr Gore.

The government issued Ordinance 50 in an attempt to crack down on smugglers and rogue traders, and to improve the country's notoriously bad rate of revenue collection.

Finance Ministry documents seen by the Financial Times show that in the first nine months of last year, uncollected taxes amounted to 20,000bn lei ($1.6bn). By some estimates, 60 per cent of economic activity in Romania is unrecorded.

"The point of Ordinance 50 is to better control tax collection by reducing the number of phantom trading companies," said Guy Burrows, director of CEC Government Relations, a Bucharest business consultancy and lobbying company.

"While most business people do not disagree with the aim of the law, it is a very clumsy attempt at improving tax collection," he said.

International brewing companies that have invested heavily in Romania – including South African Breweries, the Dutch based United Romanian Breweries, which is the local producer of Tuborg, Turkey's Efes, Belgium's InterBrew, Austria's Brau Union and Brewery Holdings – have formed the International Breweries Group to lobby against Ordinance 50.

**ARMS INDUSTRY** SALES UNLIKELY TO ENTHUSE POTENTIAL BUYERS

# Poland prepared to sell defence business

By Christopher Bobinski in Warsaw

Poland has said it is willing to sell off parts of its defence industry to foreign bidders, but the privatisation offer is unlikely to be greeted with enthusiasm by targeted investors.

The conditions of privatisation, to be enshrined in laws being prepared by the government, come as part of a new restructuring plan for the defence industry unveiled before Poland joins Nato, the western military alliance, next month.

The Polish government has long been asking that foreign defence companies hoping to sell it aircraft and other equipment to bring the country's forces into compliance with Nato standards should offset the cost of these purchases by placing orders from the domestic defence industry.

This week, however, the government made it clear that it would also be asking winners of weapons contracts to invest in the country's ailing defence industry.

On Monday Dasa, the German defence contractor, said it had signed a preliminary agreement to modernise 22 of Poland's Russian-built MiG-29 fighters, in a move that would bring them up to Nato standards.

The deal is part of a wider training package being proposed by Dasa in conjunction with British Aerospace, which is hoping to sell its Hawk training aircraft and Sweden's Grippen fighter to Poland. A rival proposal to supply aircraft has come from Dassault of France.

Meanwhile, the US government has told Warsaw it is ready to lease fighter aircraft at low cost – a plan which appears to be favoured by Poland's Defence Ministry. This would lead eventually to the purchase of new US aircraft.

The rival groups have said they are ready to place orders with Poland's defence industry to help offset the cost of purchases. The suppliers, however, have been noticeably more reticent about making investment commitments to the country's defence industry, which has run up a 2bn zlotys ($540m) debt.

In the firing line: Poland has been under pressure to bring its forces up to Nato standards Reuters

Under the government's plan, privatisation revenues would be ploughed back into the arms industry. The government also foresees that 18,000 of the industry's 68,000 employees would be laid off over the next two years and that 42m zlotys would be spent on a redundancy programme.

# Portugal's overburdened justice system in the dock

More than 80 per cent of the population have lost faith in the effectiveness of the courts, writes **Peter Wise** in Lisbon

Even the noticeboards hanging in the marble halls of the Palace of Justice, Lisbon's main civil court, seem unable to cope. Brimming with sheaves of judges' orders against petty debtors, they reflect a legal system so overburdened that civil cases can take more than 12 years to come to trial and big cases involving corruption and white-collar crime are rarely concluded.

Judges, prosecutors and lawyers warn the system is close to collapse, and more than 80 per cent of the population have lost faith in the efficacy of the courts, according to a recent opinion poll.

Acknowledging that "slow justice is no justice at all", António Guterres, the Socialist prime minister, is introducing reforms. In the meantime, however, Portuguese justice grinds forward at a funereal pace.

"Our laws are well made, but the way they are applied in practice is extremely inefficient," says Maria José Morgado, a public prosecutor at the central criminal court in Lisbon. "The means and methods of our court bureaucracy belong more to the 19th century than to today. The system has created a mentality that favours procrastination over producing results."

At the root of the crisis lies a clash between outmoded legal methods and the mounting demands of a modern consumer society. Portugal's return to democracy in 1974 after half a century of authoritarian rule resulted in what jurists now see as an exaggerated protection of legal rights that is placing an impossible burden on a system ill-prepared to cope.

"We suffer from an excess of guarantees that renders the courts vulnerable to abuse," says José Eduardo Vera Jardim, the justice minister. "The system provides for up to four separate levels of appeal that can be misused to delay the outcome of cases for years and years."

In a recent criminal case, each of a large group of defendants called 200 character witnesses in what was seen as a blatant delaying tactic. Zealous protection of legal rights has even led to a ban on the publication of police computer images of suspected criminals because this could constitute a breach of judicial secrecy.

A recent decision by the Supreme Court will lead to the proscription of a number of cases that have not been brought to trial within 10 years. Mr Vera Jardim says this should not affect a majority of high-profile corruption cases.

But lawyers fear that a number of prominent cases will have to be shelved if they are not concluded soon. These include alleged large-scale fraud involving European Union funds and false invoicing by big companies to finance political parties.

The government has proposed reforms, expected to be approved by parliament within months, that will allow appeal courts to throw out cases they deem manifestly unjustified. Mr Vera Jardim hopes this will sharply reduce the number of appeals.

New measures were also introduced in September limiting recourse to character witnesses.

Computer networks are gradually being introduced into the legal system, pleasing judicial officials such as Ms Morgado, who says it can take up to a year to obtain the criminal records of defendants under the present system. But little technology has yet reached courtrooms. The only official record of court proceedings are the judges' notes. In rare cases where testimony is fully transcribed, clerks painstakingly write it down in long-hand.

Computers are also seen as the solution to the small debt cases that are drowning civil courts under an avalanche of paperwork.

These complaints have been growing by 20 per cent a year over the past five years, as changing consumer habits have led to an explosion in spending beyond the means of many Portuguese.

Civil courts are in danger of becoming "mere extensions of big corporations", collecting debts mainly for mobile phone and credit companies, according to the preamble of a recent law. The legislation provides for petty debt cases to be handled by fax or e-mail through a special department. As the new system is enlarged, only cases that are contested – about 3 per cent – will go to court.

The legal system is inefficient but not lenient. Portugal sends a bigger proportion of its population to jail than any other European country – there are 146 prisoners for every 1,000 inhabitants, compared with about 90 in France and the UK, for example. Average jail sentences are also the longest in Europe and Portuguese jails the most overcrowded, holding almost 30 per cent more prisoners than their official capacity. About 28 per cent of prisoners are awaiting trail.

The government is introducing alternatives to jail for minor offences, including community service and wider use of probation. It also plans to emulate Britain's use of electronic "tagging" so that more prisoners can be conditionally released.

Big cases involving white-collar crime are also delayed and hampered by a lack of technical expertise, but Portuguese justice is generally swift in criminal cases involving theft or violence. This has led to a public perception of injustice at the heart of the crisis in the legal system.

## INTERNATIONAL

# Local elections will test power of Iran's dark forces

By Robin Allen in Abu Dhabi

For millions of Iranians the 20th anniversary of the Iranian revolution this week is a cause for celebration.

For many others, however, including President Mohammad Khatami and his reformist supporters, the forces spawned by the Islamic revolution – creatures of the underground alliance of wealthy merchants and Shia clergy – have become one of the greatest threats to the reforms espoused by the president and supported by more than 70 per cent of the electorate which swept him to office in May 1997.

These "states within a state", with access to funds and thousands of operatives, from street thugs and killer squads to less violent mosque leaders, have eluded attempts to control or dismantle them.

Most of their operations are directed from within the intelligence ministry, known officially as the information ministry; usually without the minister's knowledge.

The "information" ministry is structured along the lines of the former Soviet KGB, with internal and external agencies massively equipped with people and money, skilled in techniques of both passive and violent propaganda and disinformation.

It inherited the mantle and the financial trimmings of Savama, the secret police network created after the revolution and disbanded in 1981, and more particularly from Savak, the Shah's notorious secret police, a former ambassador to Tehran said yesterday.

It was in response to pressure from President Mohammad Khatami and reformists that the most recent information minister, Qorbanali Dorri Najafabadi, resigned this week after his ministry was forced to acknowledge that "rogue agents" were behind last year's murders of nationalist politicians and secular writers, he said.

According to Safa Haeri, the Paris-based writer and expert on Iran, the focus of hardline activists comes from the Islamic Coalition League, who form the militant wing of the Fedayan Eslamii, the name given to the coalition of merchants and clerics which organised opposition to the Shah from the 1960s onwards.

With the exception of Mr Khatami and some younger or more technocratic officials, many of Iran's senior figures were members of Fedayan Eslamii in the glory days of opposition to the Shah.

Prominent members include Habibollah Asgaroladi, a member of a prominent merchant family and a principal member of the inner circle around Iran's spiritual leader Ayatollah Ali Khamenei, Alinaghi Khamouschi, president of the Iranian chamber of commerce and industries, Mohammad Araqi, head of one of the bonyad, the notoriously secretive state foundations which inherited conglomerates owned by the Shah's family.

None of the figures central to Iran's established institutions escapes the attentions of the the committee.

They regard President Khatami as an Iranian "Gorbachev", and his slow but so far successful struggle to secure the rule of law and a civil society for all Iranians, as a danger to "pure" Islam and a global Islamic society.

They perceive Iran's Ayatollah Khamenei as "not merciless enough", according to one analyst, too old and too weak to stand up to the fundamental social and institutional reforms espoused by the president.

The progressive dismantlement of the hardliners' network is one of the most important aims of Mr Khatami's political reforms. His programme, analysts say, will get a shot-in-the-arm if his supporters do well in this month's municipal elections.

It will be the first time, analysts point out, that local elections have ever been held in Iran; in itself a significant achievement for Mr Khatami.

# Sponsors stand by Olympic Games

By Patrick Harverson in London

A senior International Olympic Committee official yesterday said none of the corporate sponsors that pay hundreds of millions of dollars to back the Olympic Games had plans to abandon their sponsorship deals in the wake of the Salt Lake City corruption scandal.

Speaking after a meeting between the 11 main Olympic sponsors and IOC officials in New York, Dick Pound, the IOC's vice president, said there had been no negative feedback from the sponsor group about the scandal.

"The sponsors were very supportive of the effort we have been making to clean up this problem. Nobody has withdrawn," said Mr Pound, who insisted the Olympic sponsorships remained "a fabulous investment" for corporate backers in spite of the damage inflicted on the Olympic movement by the scandal.

His remarks followed reports that John Hancock Mutual Life Insurance of the US had postponed plans to negotiate advertising time on US network television during the Sydney Olympics next year, and that two corporate sponsors of the games in Australia were reviewing their commitment to the event.

Mr Pound also said the IOC would investigate the 10 new members implicated in the corruption scandal by the Salt Lake City ethics committee's report published on Wednesday. He said the IOC had not yet contacted the 10 members, and any measures the organisation might take against them would depend on the facts uncovered by the IOC's inquiries.

However, Mr Pound made it clear the newly implicated members would face expulsion if they were found to have accepted bribes from Salt Lake City officials.

# Nigeria's tainted political 'old crows' dominate the election campaign

The transition to democracy is fraught with difficulties, reports **William Wallis**

The ambitions of more than a dozen aspirant heads of state have thrown Nigeria's fragile, newly formed political parties into an ominous game of brinkmanship only two weeks before presidential elections.

All three parties have, in recent days, threatened to pull out of the transitional arrangements for establishing the first elected civilian government in more than 15 years.

Across Nigeria, walls have been filled by colourful campaign posters. But the dignified poise in the candidates portraits belies the cut-throat nature of the contest.

In the next three days party conventions should determine which candidates go through. The People's Democratic party, the most successful in recent state and local government elections, is divided between supporters of the former military ruler General Olusegun Obasanjo, seen as the choice of the military, and those of former civilian vice president, Alex Ekwueme.

The contest is no less bitter within the other main party, the All People's party, which threatened to split recently over a proposed electoral pact with the Alliance for Democracy (AD), a regional force in the south west. The pact could give AD's proposed common candidate, former finance minister, Olu Falae, an outside chance of winning the presidency.

Huge sums of money have been spent, increasing the stakes, entrenching vested interests and potentially compromising the outcome of the polls.

"The people at the top see the political parties like a stock market where they can buy a share in the leadership," lamented a bystander at a recent party rally in the capital Abuja. "Like all shareholders they expect to be paid regular dividends," he added.

**'The people at the top see the political parties like a stock market where they can buy a share in the leadership'**

The transition faces formidable hurdles. Crammed into a timetable that began with voter registration last September, new political parties have been formed, local and state government elections held, and national assembly and presidential elections scheduled before the end of February.

The commission charged with overseeing the elections has had to make up the rules along the way, burdened with an inflated electoral register, and the logistical nightmare of counting possibly 30m votes or more. On top of that, the constitution has not yet been published and critical issues within it remain unresolved.

Sensing the dangers, the three political parties – in a rare moment of foresight and solidarity – jointly recommended this week that a provision be made for the swearing in of the senate president as head of state, should the presidential poll prove inconclusive.

This may have been motivated by a collective sense of self-preservation on the part of the politicians, but the move reflects a wider national sentiment: that military rule has been so bad, a civilian government could hardly be worse.

There are however, sceptical voices, who fear that Nigeria could be dissappointed.

There is little evidence of a new generation of politicians. There are some new faces among the governors, but the scene has been dominated by the so-called "old crows", tried and found wanting in the past.

All parties have made promises they cannot keep and none has had much to say about how they will tackle economic problems.

"There has been a lot of talk about the allocation of resources but very little about the generation of resources," says Father Mathew Kukah, an influential, politically-minded priest.

Instead it has been a campaign based on ethnicity and regions, and debate over the rotation of the presidency among them. Although the regions are far from monolithic, Nigeria is seen to be divided among the Igbo in the south east, the Hausa-speakers in the north, the Yoruba in the south west, and minorities.


Posters of Olusola Saraki, a leading candidate of the All People's party AP

Favourite sons are likely to carry their regions, with the exception of General Obasanjo, a Yoruba from the south-west who commands considerable support in the north but less back home. If he wins the PDP primaries this weekend, there is a strong risk that the Igbo supporters of Alex Ekwueme, who could count for several million votes, would decamp from the party.

But, there are fears that if he does not win, alternatives who are heavily dependent on their ethnic support group and provided little assurances to the army, would be unacceptable to the northern generals.

Embarrassed by the record of their leaders, northern politicians have ruled out their own nomination for the presidency. They have otherwise maintained a firm grip, helped by an in-built electoral advantage. The more populous north and its use as a hunting ground for votes ensures that politicking among its power-brokers is high on the agenda of any aspirant president.

Some of the older generation in the north see the familiar squabbling among the regions, the fragile nature of the parties and the weakness of the electoral commission as fertile territory for future military intervention. While head of state General Abdulsalami Abubakar has appeared bent on avoiding this at all cost, the politicians could still make it possible.

## WORLD TRADE

# Brazilian currency turmoil buffets Mercosur

The 30% fall in the Real has added to strains with trading partners in the South American common market. **Richard Lapper and Ken Warn** report

Oded Dower is fed up with Brazil. Mr Dower, a director of American Cleaning Center, a company that imports hygiene products ranging from toilet paper to condom machines, moved to São Paulo a year ago with high hopes that his company's success in Argentina could be repeated in Brazil.

Instead the enterprise has been frustrated by red tape and high costs. Last month's devaluation – which has reduced the value of the Real by more than 30 per cent, drastically increasing Mr Dower's costs – could be the last straw. "We had lots of expectations," says Mr Dower, whose company has spent about $250,000 in setting up its Brazilian subsidiary under a year ago. "But I found that conditions in Brazil were very different to those in Argentina. I'm not sure we'll stay in Brazil if things don't get any better."

Mr Dower's experience may not be typical but is symptomatic of the frustrations felt by business at the limitations of trade liberalisation in the region since the formation of the Mercosur, the South American Common Market, in 1991. Although the customs union – which also includes two smaller countries, Uruguay and Paraguay – has stimulated an impressive growth in intra-regional trade and investment, it has been bedevilled by the relatively slow pace of reform in Brazil and by a series of niggling disputes on issues ranging from the "locally manufactured content" of cars to Brazilian subsidies for sugar and pork producers.

Last month's devaluation of the Real has put Mercosur under extreme pressure, prompting a series of high-level diplomatic meetings including today's summit between President Carlos Menem of Argentina and Fernando Henrique Cardoso of Brazil. At a stroke, the devaluation has given Brazilian exporters a massive advantage over their competitors in Argentina, whose currency is tied firmly at a one-to-one rate with the US dollar under the government's currency board arrangement.

Already – less than a month after the Real was allowed to float – there have been signs that Argentine business is suffering. Official Argentine figures show that imports fell during Janauary, but there is some evidence that Brazilian competition is putting pressure on Argentine industry.

Brazilian exports of textiles and pharmaceuticals appear to have been particularly buoyant but Argentine companies in sectors such as wood products, paper and pulp, pharmaceuticals, steel, machinery, shoes and furniture are all under pressure from Brazilian competition.

Several northern provinces also look highly exposed to Brazil and producers face a tough struggle to keep up agricultural sales and maintain prices.

**At a stroke, the devaluation has given Brazil's exporters a huge advantage over their competitors in Argentina**

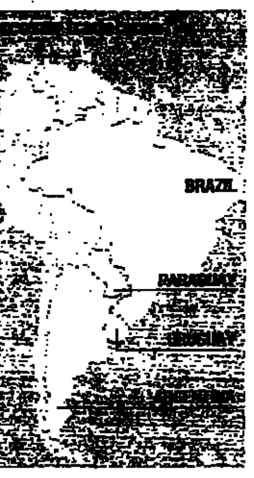
Chemical companies are reporting that exports to Brazil are down by 30 per cent compared with the same period last year. Argentine-based car companies that manufacture for the Mercosur market have already been hit by the slowdown in the Brazilian economy last year and are now seeing big cutbacks in production and jobs.

The Argentine authorities have resisted pressure to impose quotas or increase tariffs to protect their economy, but last month they did impose a requirement for advance import licences on a range of goods, including toys, plastics, steels and paper. The move, explicitly designed to monitor any surge in imports from Brazil, could be the forerunner of anti-dumping measures.

The Brazilian crisis "does raise a question mark over Mercosur", says Débora Giorgi, economist with the Alpha consultancy in Buenos Aires. Walter Molano, an economist with BCP Securities in the US, headed one recent briefing note "Requiem for Mercosur". And in one recent editorial Gazeta Mercantil, the Brazilian business newspaper, criticised Brazil's failure to consult its Mercosur partners before it devalued and said that there was now a "serious *descompasso*" or that the trading partners were out of step.

And some analysts suggest that differences in some macro-economic policies between the two countries – most obviously in relation to foreign exchange – are growing wider, presaging a possible move by Argentina to forge closer links with the North American Free Trade Association (Nafta) at the expense of its ties to Mercosur. Businessmen such as Mr Dower are questioning the Brazilian government's commitment and ability to introduce a trade regime as open as Argentina's. "It is a way of living to complicate your life in Brazil... it used to be like that in Argentina but not any more," says Mr Dower.

Yet, there are also good reasons for keeping Mercosur together. For both Brazil and Argentina an increasing percentage of exports are now sold within the region. Brazil's exports to Argentina reached $6.77bn in 1997 and an estimated $7.6bn last year, compared with $645m in 1990, and now account for about 14 per cent of its total. Argentina has seen similar growth – from $1.4bn to $8.1bn between 1990 and 1997 – and with more than 30 per cent of its exports destined for Brazil it is even more dependent on the common market. More than 70 per cent of recent foreign direct investment into Argentina has been




aimed at Mercosur. And while Argentina could aim to increase its competitiveness and seek other markets, for the time being the country has little option but to put up with Mercosur, even if it means running a trade deficit as it did in 1992 and 1993, according to Ms Giorgi.

In Brazil, analysts expect Mercosur will weather the currency turmoil. "It will be under pressure and relations have become tense but I don't see this as the end," says Carlos Kawall, economist with Citibank in São Paulo. All this, though, is little comfort for Mr Dower, for whom the volatility of the exchange rate has simply added a new element of uncertainty. "You can't predict what they'll do; things change from day to day," he says.

## NEWS DIGEST

### STEEL TRADE DISPUTE

# Japan complains to WTO over obscure US law

Japan yesterday filed a complaint in the World Trade Organisation against an obscure US law that allows US companies to sue foreign companies for anti-competitive practices in the US market. The EU has already submitted a similar case. Although the law is rarely used, two American steel companies – Geneva Steel of Utah and Wheeling-Pittsburgh Steel of Ohio – have filed suit under the act. The cases are separate from anti-dumping complaints against companies in Japan, Brazil and Russia now before the US Commerce Department and the International Trade Commission. Preliminary rulings on the anti-dumping cases are due today.

A spokesman for the US trade representative yesterday expressed disappointment that Japan has followed the EU to the WTO but vowed to "vigorously defend" the law. Called the Unfair Competition Act of 1916, it was first passed to address the concerns of the US dye industry that monopoly producers were conspiring to destroy the industry. In the 1960s it was used by Zenith against Japanese television manufacturers.

The two suits filed by the American steel companies are in the Utah and Ohio state courts. Decisions are not expected for some time. **Nancy Dunne, Washington**

### KAZAKHS RESTRICT IMPORTS

# Central Asia tariff war beckons

Kazakhstan yesterday imposed 200 per cent tariffs on a range of foodstuffs and other products from Kyrgyzstan and Uzbekistan, raising the prospect of a trade war in former Soviet Central Asia. As part of its continuing efforts to protect itself from the effects of Russia's economic crisis, Kazakhstan last month imposed a six-month ban on imports of most Russian foodstuffs. Industrialists and manufacturers have been pressing for the ban to be widened further to protect domestic industry from an influx of cheaper regional goods following the fall in value of the currencies of its neighbours.

Last week the Kazakh government said limits on imports would remain a part of its economic plan for 1999. The tariffs will affect imports of all beverages, tobacco, butter, margarine, yeast and mayonnaise from Kyrgyzstan and will be extended to similar products as well as cement from Uzbekistan. Cheap Russian imports have driven down Kazakh output of products to only 20-30 per cent of capacity. **Charles Clover, Kiev**

### OECD Export Credit Rates

**The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for February 15 1999 to March 14 1999 (January 15 1999 to February 14 1999 in brackets).**

| | | | |
|---|---|---|---|
| Australian dollar | 5.81 (5.77) | Yen | 2.70 (2.00)* |
| Danish Krone | 4.62 (5.06) | Swedish Krone | 4.59 (4.88) |
| Euro | | Sterling | 5.39 (5.61) |
| up to 5 years | 4.07 (4.15) | Swiss franc | 3.77 (3.68) |
| 5 to 8.5 years | 4.28 (4.33) | US dollar for credits | |
| more than 8.5 years | 4.48 (4.53) | up to 5 years | 5.61 (5.48) |
| | | 5 to 8.5 years | 5.60 (5.48) |
| Korean Won | 8.55 (9.06) | more than 8.5 years | 5.80 (5.65) |

*These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.*

** The Japanese Yen CIRR changed to 2.70 on January 18 1999.*

# Asian imports hit Europe's engineering output

By Peter Marsh

Output from western Europe's engineering industry is expected to decline this year after several years of strong growth. Prospects have been damped partly by a build-up of imports into the continent from Asian countries affected by the region's economic turmoil.

Forecasts from Orgalime, a Brussels-based trade body which represents European engineering companies, indicate that imports of machinery and metal goods in particular are likely to grow sharply, helped by the currency devaluations of several Asian countries.

Exports by western Europe's engineering companies appear, however, likely to hold up reasonably well, partly because of strong demand from North America – the biggest market for European engineering exports.

According to Orgalime's projections, production by western Europe's engineering industries will increase 2.9 per cent in volume this year, after growth of 5.9 per cent last year.

In 1997, the engineering industry in the countries covered by Orgalime – the European Union plus Switzerland – had sales of €872bn ($987bn). That made the sector one of the continent's biggest manufacturing industries.

The industry includes 100,000 companies, employing 6.5m people. It accounts for more than a third of the region's industrial exports. Output from Orgalime companies includes basic metal goods, mechanical products such as machine tools as well as office and computer equipment – but not vehicles.

According to Patrick Knox-Peebles, Orgalime's secretary general, the outlook for overall activity by the industry for 1999 is "good", in spite of the projected slowdown in growth. Orders for equipment including machine tools, packaging systems and heavy industrial equipment had held up fairly well, said Mr Knox-Peebles.

In 1999, imports of engineering products into Orgalime countries will expand 4.6 per cent on 1998, with intra-European imports expanding 4.5 per cent, and imports from the rest of the world growing at 4.8 per cent.

Imports of engineering products into western Europe from Asia account for about 11 per cent of all imports into the region of these goods.

Export growth of engineering products from western Europe, at an expected 3.4 per cent this year, is likely to be somewhat lower than the growth of imports into the region.

The volume of exports from Orgalime countries into other European nations is forecast to grow 4.2 per cent this year, while export volumes to the rest of the world is likely to increase by a relatively weak 2.1 per cent.

This reflects lower demand in Asia, which accounts for about 10 per cent of all western European engineering exports. Last year, Orgalime nations pushed up total engineering exports by a fairly strong 6.3 per cent.

During this year, the strongest growth by an individual Orgalime country in engineering production is likely to come from Spain, where output is expected to climb 15.1 per cent on 1998. France will push up production 3.4 per cent, Germany 2.6 per cent and Italy 2.3 per cent. The UK, where much of manufacturing seems likely to be hit by recession during 1999, will see a fall of 0.1 per cent in engineering output, according to the Orgalime estimates.

Confirming the picture of a likely overall slowdown in the sector, investment in plant and buildings by engineering companies across the continent, which totalled €27.1bn in 1997, is forecast to expand just 0.7 per cent in volume this year, after growth of 7.5 per cent last year.

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...STRICT IMPORTS
...ral Asia tariff war beckon...

# The impeachment saga: As the 13-month national soap opera comes to an end, FT writers look at how it has affected some of the key characters and institutions in US politics and what the rest of the world has made of it all

## Bill Clinton

The 'comeback kid' did it again. While his enemies thought they finally had the smoking gun that would force him from office, President Clinton used a combination of stonewalling and contrition to turn the scandal back on his accusers. True, the history books will forever equate him with sex and impeachment. But while his personal reputation has been damaged, Mr Clinton's presidency remains highly popular. He now has a shot at securing a substantive political legacy to put alongside the scandals

## Newt Gingrich

Only peripherally involved in the scandal, the ebullient House Speaker was the only person to lose his job over it. Having pushed the Republican party to use the Lewinsky affair as an issue in last November's congressional elections, he paid the price of his political misjudgment. When the strategy backfired, his enemies used the occasion to avenge past grievances and forced him to resign. His current low profile is unlikely to last long and he may try for a comeback in the 2004 presidential race

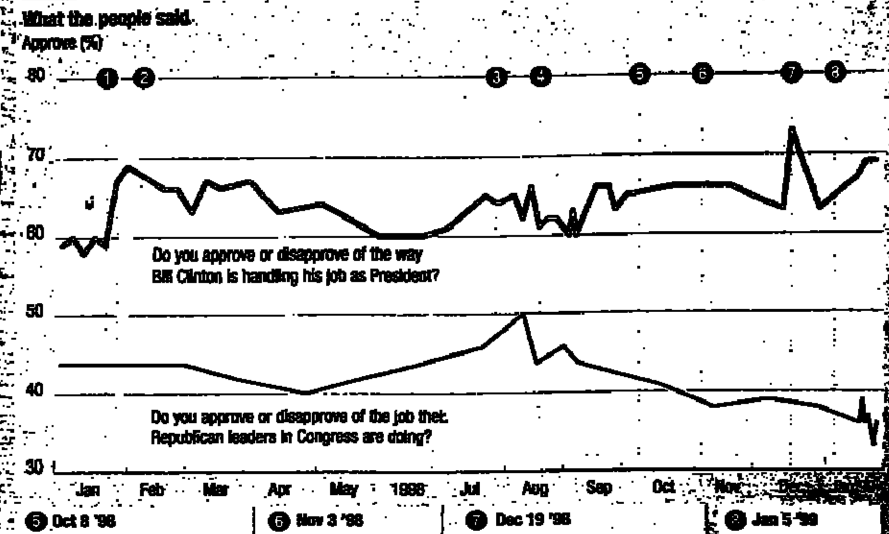
## Monica Lewinsky

Thrust from complete obscurity to become one of the most famous women in the world, the former White House worker's life has been changed forever. Honed by exposure to a relentless media firestorm and 23 grand jury appearances, the thong-snapping California political groupie has evolved into a poised and articulate – if somewhat emotionally bruised – young woman. First up, a television interview and a book to help pay off her legal bills. After that, some serious career decisions: politics or public relations

### A year of living dangerously

1. Jan 21 '98 — Washington Post story breaks scandal
2. Jan 27 '98 — First Lady Hillary Rodham Clinton in a broadcast interview defends the president, blaming a 'vast rightwing conspiracy'
3. Jul 28 '98 — Monica Lewinsky agrees to full immunity deal with Kenneth Starr
4. Aug 17 '98 — After giving grand jury testimony in the White House, President Clinton goes on TV to admit he had an inappropriate relationship with Monica Lewinsky

### What the people said




5. Oct 8 '98 — House of Representatives authorises a wide-ranging impeachment inquiry of President Clinton on a 258-176 vote. 31 Democrats join Republicans in supporting the investigation
6. Nov 3 '98 — Midterm elections, Democrats pick up five seats in the House of Representatives, avoiding expected Republican gains in the Senate
7. Dec 19 '98 — The House of Representatives approves two articles of impeachment, charging President Clinton with lying under oath to a federal grand jury and obstruction of justice. The Republican House votes 228-206 largely along party lines
8. Jan 5 '99 — Senate trial opens

Feb 11-12 Final Senate vote

## Kenneth Starr

Among the independent counsel's many regrets, his decision in 1997 to turn down a comfortable and lucrative post at California's Pepperdine University must be near the top. His relentless pursuit of President Clinton has made him one of the least popular men in US history. Now a rightwing martyr, he will never achieve his most cherished goal: being appointed to the Supreme Court. More likely is a return to his Washington law firm, but not before firing a final few investigative arrows at his nemesis

## Hillary Clinton

[illegible] and helped save him. Her very public [illegible] Clinton in the early days of the [illegible] what at first seemed like an [illegible] of his resignation. When the [illegible] cynics said she knew all along [illegible] regardless. Fully rehabilitated from [illegible] 1994 health plan, she is [illegible] in 2000

## Henry Hyde

[illegible] of the House judiciary committee saw his [illegible] destroyed when he became the [illegible] of the congressional crusade against Mr Clinton. Deeply offended by the president's actions, Mr Hyde pulled off a [illegible] when he managed to persuade the House to impeach him. But his high-flown rhetoric did not play well in the Senate. Like Mr Starr, he will [illegible] of the party's right wing, but early retirement from Congress is now a serious possibility

Source: Gallup, Pew   Written by Mark Suzman

POLITICAL LIFE BEYOND THE LEWINSKY SCANDAL

# Republican party starts to count the cost

By Mark Suzman in Washington

There are few real winners from the whole impeachment tale but there is one clear loser: the Republican party.

Although President Bill Clinton's personal reputation may be permanently tarnished, his administration remains popular and Democrats have emerged from the morass more unified and energised than they have been for years.

By contrast, Republicans have seen their majority in the House of Representatives diminished, lost two House speakers as an indirect result of the scandal, and are increasingly concerned that they may lose control of Congress altogether in the 2000 elections.

Several moderate Republican senators have tried to offset the damage and shore up their personal electoral prospects by deciding not to vote to convict Mr Clinton on the impeachment charges. But the fact remains that nearly 60 per cent of all voters and even half of all Republicans now believe the saga has badly hurt the party's prospects.

Some members – most notably the 13 House trial managers who led Mr Clinton's prosecution – insist they were answering to a higher cause and predict that history will vindicate them. But they are now a clear minority.

Even some influential religious conservatives such as Pat Robertson, founder of the Christian Coalition pressure group, have called for a new focus. "It's my feeling we need to turn our eyes away from the Bill Clinton-Monica Lewinsky axis and begin looking at the future of America," he said this week. But the real problem for the Republican party remains that its members are deeply divided over exactly where that future lies.

One section of the party wants to concentrate on tax cuts. Spurred on by long-shot presidential candidates such as John Kasich, chair of the House budget committee, they believe the vehicle that carried Ronald Reagan to power in the 1980s can once more be used to deliver the White House.

Many cultural conservatives, backed by other aspiring presidential candidates such as Dan Quayle, the former vice-president, favour an agenda built around the theme of moral renewal. They point out that morality is almost the only issue voters now give Republicans higher marks for than Democrats and argue the real legacy of the scandal will be a backlash against what they see as a culture of sexual permissiveness.

A third group are looking beyond Congress to the more popular and pragmatic Republican governors such as George W. Bush of Texas, the current frontrunner for the presidential nomination.

Mr Bush and many of his colleagues largely steered clear of the impeachment debacle and so are not associated in the public mind with the rightwing ideologues who led the process in Washington.

Meanwhile, Mr Bush's philosophy of "compassionate conservatism" is seen a potentially important counter to the "third way" espoused by Mr Clinton and Vice-President Al Gore.

But whichever route the party takes in next year's presidential race, in the short term it badly needs to change the public perception that it is concerned with little more than scandal. This requires using their majority in Congress to push through new legislation.

In the Senate, the task seems feasible. Trent Lott, the majority leader, lacks charisma but is a broadly effective manager. He has generally won high marks for trying to reach out to Democrats through the course of the trial and has now signalled his desire to move rapidly on an agenda including tax cuts and social security reform.

Dennis Hastert, the new House Speaker, has promised to do the same but his task will be more difficult. As, in effect, a second choice to replace Newt Gingrich, the former speaker, after Bob Livingston was forced to withdraw because of marital infidelity, he has a limited power base.

As a result, it could prove too difficult for Mr Hastert to build the necessary coalitions among different party factions at a time when Republicans have only a six-vote majority.

But despite all the problems, some analysts believe the party can still overcome all the obstacles and make a credible stab at rehabilitating itself in the post-impeachment era. As Larry Sabato, a political science professor at the University of Virginia, puts it: "The prospect of defeat concentrates the mind wonderfully."

NEWS COVERAGE

# Media may have fanned the flames

By Deborah McGregor in Washington

Ben Bradlee calls it the "kerosene effect". Every time the long, slow-burning Monica Lewinsky saga showed signs of dying down, some incendiary event would occur, igniting a sudden burst of journalistic excitement as the story roared to life yet again.

To Mr Bradlee, the famous former editor of the Washington Post, the kerosene kept The Story burning long after it should have died down.

"It used to be that there were, maybe, two news cycles in a day," he said in an interview this week. "But with this constant television coverage we now have, there is an endless cycle. And often, there's no news in it. Often it looked like there was a lot of action going on, but in reality, nothing much had happened."

For the media, as for the American public, impeachment was a story riddled with paradoxes. What, for instance, was the proper definition of news in the uncharted waters of presidential scandal and impeachment during the era of Matt Drudge, whose internet gossip site helped launch the story, and non-stop coverage on CNN?

Polls showed the American public was sick and tired of the whole tawdry tale. No one, it seemed, could bear to watch any more. Yet viewing audiences soared – apparently no one could turn away, either.

Where Mr Bradlee identified the kerosene effect, MSNBC had another name for it: good business. The fledgling cable network, launched in July 1996 as a co-operative venture between NBC and Microsoft, saw its ratings lifted to new heights on the wings of the Lewinsky scandal.

In the July-September period last year, when the Starr report became public and a soiled blue dress confirmed what everybody had already suspected, MSNBC's 24-hour ratings were up 109 per cent from a year earlier.

The only downside for the part-cable, part-web channel was the loss in November of its star scandal host. Keith Olbermann, host of "The White House in Crisis", fled to the wholesome safety of Fox Sports News, having accused MSNBC of "covering this story 28 hours out of every 24" and confessing to "having the dry heaves in the bathroom... There are days when my line of work makes me ashamed, makes me depressed, makes me cry."

Apparently, Mr Olbermann is not the only one who feels that way. According to Jan Schaffer, executive director of the Washington-based Pew Centre for Civic Journalism, unprecedented numbers of news organisations and reporters are signing up for workshops and courses on alternative approaches to reporting the news.

"There is a sense that the old news frameworks just don't work any more," she said.

The question of what should have been off-limits during the reporting of the scandal is likely to be debated vigorously for years to come. Some reputable news organisations saw their images indelibly tainted. The Dallas Morning News may be remembered as the outlet that had to retract an unfounded story about a White House steward who had been witness to a presidential dalliance.

Many media observers hope the excesses of the past year will prove instructive the next time scandal hits. "One approach might have been to say, 'OK, CNN has got that covered. They're doing wall-to-wall coverage, but we are going to do something else'," said Jim Naughton, president of the Poynter Institute for Media Studies in St Petersburg, Florida, and former executive editor of the Philadelphia Inquirer. "But rather, it tended to be, 'Well, CNN is doing wall-to-wall coverage so we have got to react to that'."

EFFECT ON FOREIGN POLICY

# Politicians unable to escape proceedings

By Quentin Peel and Guy de Jonquières in London

Yassir Arafat looks on as Bill Clinton is forced to field embarrassing questions in January last year AP

When the cream of the defence establishments of Europe and the US gathered in Germany last weekend for the annual Munich conference on security policy, no fewer than seven US senators were expected to attend.

In the event, they all cancelled at the last minute, because they were unable to escape the impeachment proceedings: the taped evidence of Monica Lewinsky was being delivered that Saturday.

They missed a debate with Gerhard Schröder, the German chancellor, and the defence ministers of Britain, France, Germany, Italy, Spain and most of the rest of Europe, on the future of the Nato alliance.

It was merely the latest practical illustration of how the Lewinsky affair, and the whole impeachment process, has distracted US attention – both in Congress and the administration – from relations with the outside world.

It would be wrong to exaggerate that effect. Bill Clinton has still managed to pursue his big foreign trips, to Africa, Europe, China and Japan. He played a big role in forcing through the Wye accords on the Middle East in October, precisely at a moment of confrontation with Congress.

Yet since then, his success in keeping the Middle East peace process on course has been slim.

His motives in taking firm foreign actions – as in attacking Saddam Hussein in Iraq – have been called into question. There is little doubt that his intention of making foreign policy a prime concern of his second term has been at least partially undermined.

On one level, he has been forced to compromise with Congress to a greater degree, because of his need to win allies in the impeachment process.

On another, those foreign initiatives he has undertaken, including the bombing raids on Iraq, and on Sudan and Afghanistan after the terrorist attacks on US embassies in east Africa, have been weakened by the perception that he might have been seeking to distract his domestic audience.

Moreover, his foreign travels to China and Japan, to Europe (including Ireland), and to the Middle East, have been embarrassingly punctuated by intimate questions over Ms Lewinsky. And so were many photo opportunities with foreign dignitaries in Washington, such as the visit by Yassir Arafat just after the scandal first emerged.

Some of the clearest evidence that impeachment has affected US conduct of international relations has emerged during its bitter dispute with the European Union over trade in bananas.

Senior European Commission officials say Mr Clinton's concern with securing his defence in Congress torpedoed a deal late last year that would have prevented a subsequent showdown over bananas in the World Trade Organisation.

They say the two sides' negotiators had drafted a compromise, under which the US would have suspended its threat to retaliate against European exports by March 3 until the WTO had decided if the EU's banana import regime complied with world trade rules.

However, they say the White House scotched the deal on the eve of the December 18 EU-US summit in Washington, because it had been rejected by Carl Lindner, head of Chiquita Brands, the US distributor of Latin American bananas.

Mr Lindner's lavish campaign contributions have secured legendary influence in Congress. Mr Clinton's advisers are said to have judged that offending Mr Lindner could cause him to use his formidable lobbying power to swing impeachment votes against the president.

EU officials believe prospects for resolving the bananas dispute hinge on whether Mr Clinton survives impeachment with sufficient political authority to stand up to Mr Lindner and his allies on Capitol Hill.

Some other US trade partners say Congress members have sought to link support for Mr Clinton over impeachment with his willingness to take a tough stand on international trade issues which affect their constituents.

Canadian officials believe some representatives from US prairie states have used such arguments to push their case in a long-running dispute between the two countries over grain trade.

# Greenspan backs bank law reform

By Deborah McGregor

Alan Greenspan, chairman of the Federal Reserve, yesterday lent his support to the latest drive to revise outdated US banking laws, but showed no sign of backing down in the regulatory tug-of-war with the administration that has helped stymie past reform efforts.

Signalling his agreement with industry executives on the urgent need for change, Mr Greenspan said Congress should act soon to lower the barriers between banking, insurance and securities firms. At present, the relationships among financial institutions are governed by the Glass-Steagall Act of 1933, which strictly segregates the services offered by such firms.

"In the United States, our financial institutions have been required to take elaborate steps to develop and deliver new financial products and services in a manner that is consistent with our outdated laws," Mr Greenspan said in a public hearing on the issue before the House Banking Committee.

"The costs of these efforts are becoming increasingly burdensome and serve no useful public purpose. Unless soon repealed, the archaic statutory barriers to efficiency could undermine the global dominance of American finance, as well as the continued competitiveness of our financial institutions and their ability to innovate to provide the best and broadest possible services to US consumers," he said.

Mr Greenspan's remarks came as the 106th Congress prepares to take a new stab at overhauling the old banking law. Past efforts repeatedly succumbed to a complex tangle of competing interests and intense lobbying by banking and insurance companies, both of which wield formidable clout with members of Congress.

Mr Greenspan strongly believes that the new financial giants that eventually emerge from re-rewriting the laws should be structured in a way that preserves the Fed's regulatory oversight role. Robert Rubin, Treasury secretary, prefers to let banks diversify through subsidiaries, not just through affiliated companies within the same parent company. That would have the effect of increasing the power of the Treasury's Office of the Comptroller of the Currency, which regulates the nation's banks.

Mr Rubin and Mr Greenspan are backing different bills aimed at reform.

● Growth in sales of new cars weakened in January after a roaring December, but shoppers flocked to department stores, in a sign that consumer demand was pushing the US expansion steadily toward eight years of growth, Reuters reports from Washington.

The Commerce Department said yesterday that total sales at retail stores edged up 0.2 per cent last month to a seasonally adjusted $232.21bn.

# $51.5m award hits tobacco stocks

By Andrew Edgecliffe-Johnson in New York

Tobacco stocks suffered a further blow yesterday as investors digested a landmark $51.5m damages verdict against Philip Morris, the maker of Marlboro cigarettes. The case was only the second in which punitive damages have been awarded as well as compensation, and the first of such magnitude.

Patricia Henley, a 52-year-old former country and western singer, had sought $975,000 in compensation and $15m in punitive damages. The jury awarded her $1.5m compensation and $50m punitive damages, however – the first time an award has been higher than the sum sought.

The industry has previously taken the view that the threat of individual plaintiff actions was a manageable one.

The news unnerved investors, and tobacco stocks fell on both sides of the Atlantic. Philip Morris opened 3 per cent lower but recovered to $40[illegible], down ⅝ or 1.5 per cent, by early afternoon, while RJR Nabisco fell 3.7 per cent to 26[illegible], down $1. British American Tobacco was off 24½p at 588½p in London.

Philip Morris said it would appeal against the ruling within the next 15 days, asking the court to set aside both the compensatory and the punitive damages. Verdicts in other states have often been reversed.

Gregory Little, the company's associate general counsel, said the punitive damages were "so absurd and grossly disproportionate to the compensatory damage as to clearly show passion and prejudice on the part of the jury".

Analysts said investors should not rush to treat the latest case as a US-wide precedent, but conceded that it would weigh on investor sentiment.

The case was the first to reach trial after California changed the statute two years ago to allow tobacco lawsuits.

Martin Feldman of Salomon Smith Barney said the ruling would make it more difficult for US tobacco manufacturers to spin off or restructure their operations.

Moves such as breaking off Philip Morris's Kraft food operations could fall foul of "fraudulent conveyance" restrictions, he said, but he predicted that this would not prevent RJR Nabisco from selling its international tobacco business.

Gary Black, an analyst with Bernstein Research, said tobacco stocks would remain "dead money" until the industry reached a settlement with the federal government.

The Department of Justice has yet to file its threatened lawsuit, but several analysts said the tobacco companies might now be more eager to seek a settlement than before.

Mr Black estimated that a federal settlement could cost $150bn-$200bn over 25 years. He also raised specific concerns about Philip Morris's "aggressive pricing posture".

COX REPORT ON FLAWED SECURITY ARRANGEMENTS IN CHINA

# Knuckles rapped on guard over US high-tech secrets

The China connection

By Stephen Fidler and Tony Walker in Washington

Evidence of significant lapses in security arrangements covering the transfer of US-made satellites to China for launch on Chinese rockets has been uncovered by the Cox committee, the congressional investigation into unauthorised transfers of high technology to China.

When transferred to China, commercial satellites are placed under 24-hour guard to prevent the sensitive technology they contain being acquired by the Chinese military.

However, the committee found these arrangements flawed, and its recommendations call into question assurances by administration officials that transporting of satellites to China had not placed US national security at risk.

Responding to Cox, the administration has said an overhauling of security arrangements is already under way.

Most of the 700-page report is still secret ahead of the expected declassification of large parts of it next month. Members of the nine-strong panel are therefore constrained from discussing its details and it is not clear whether any specific security lapses were identified.

However, an examination of recommendations so far made public and discussions with experts in satellite technology, allow some of the failings of security arrangements to be highlighted.

When satellites have been transported to China for launch, they have been accompanied by a single member of a department within the Pentagon known as the Defence Technology Security Administration (DTSA). They have also been accompanied by a group of security guards hired in the US from private companies.

Security experts say this presents a number of problems. It is practically impossible for the single government official in the group to keep an effective 24-hour watch on a satellite. Many officials try to avoid the duty anyway since it is not seen as a career enhancing task. Moreover, the commitment of the privately hired guards is open to question, and some are said to have arrived on duty drunk.

The Cox recommendations call for the Pentagon to contract US security personnel directly to guard satellites, rather than hire outside companies.

It also urges it to assign adequate numbers of space launch monitors and ensure they continue to serve for an entire launch campaign, including any launch failure analysis. The Pentagon should also make service as a monitor an attractive career.

Henry Sokolski, a former Pentagon official who now runs a Washington based think tank on non-proliferation issues, says that militarily useful information is potentially transferred in two ways – through the satellite and through the information the Chinese require to engineer a successful launch. He criticised administration assertions that no transfer of sensitive technology was involved.

In testimony last year to the Senate governmental affairs committee, Peter Leitner, senior strategic trade adviser for the DTSA, said that the agency's personnel "were cut off from most technology security related activities in the Defence Department".

Mr Leitner also criticised what he saw as lax controls on exports of supercomputers, an issue also covered by the Cox committee. In 1995, the Clinton administration raised the ceiling on exportable computers to 2,000 MTOPs (million theoretical operations per second) for all users and to 7,000 MTOPs for civilian users in countries such as Russia and China.

"The weapons design establishments of Russia and the People's Republic of China stand to reap the greatest benefit from further decontrol," Mr Leitner said.

Some reports from China also suggest that the Chinese have built themselves a supercomputer of 10,000 to 13,000 MTOPs.

However, some military analysts in Washington are sceptical about claims of indigenous manufacture of high-performance computers in China and suggest that the numbers of supercomputers now in China far exceed the ostensible civilian uses for such equipment. Stephen Bryen, a former senior Pentagon official, told the Senate Armed Services Committee in July that China had "more than 50 supercomputers, perhaps as many as 100".

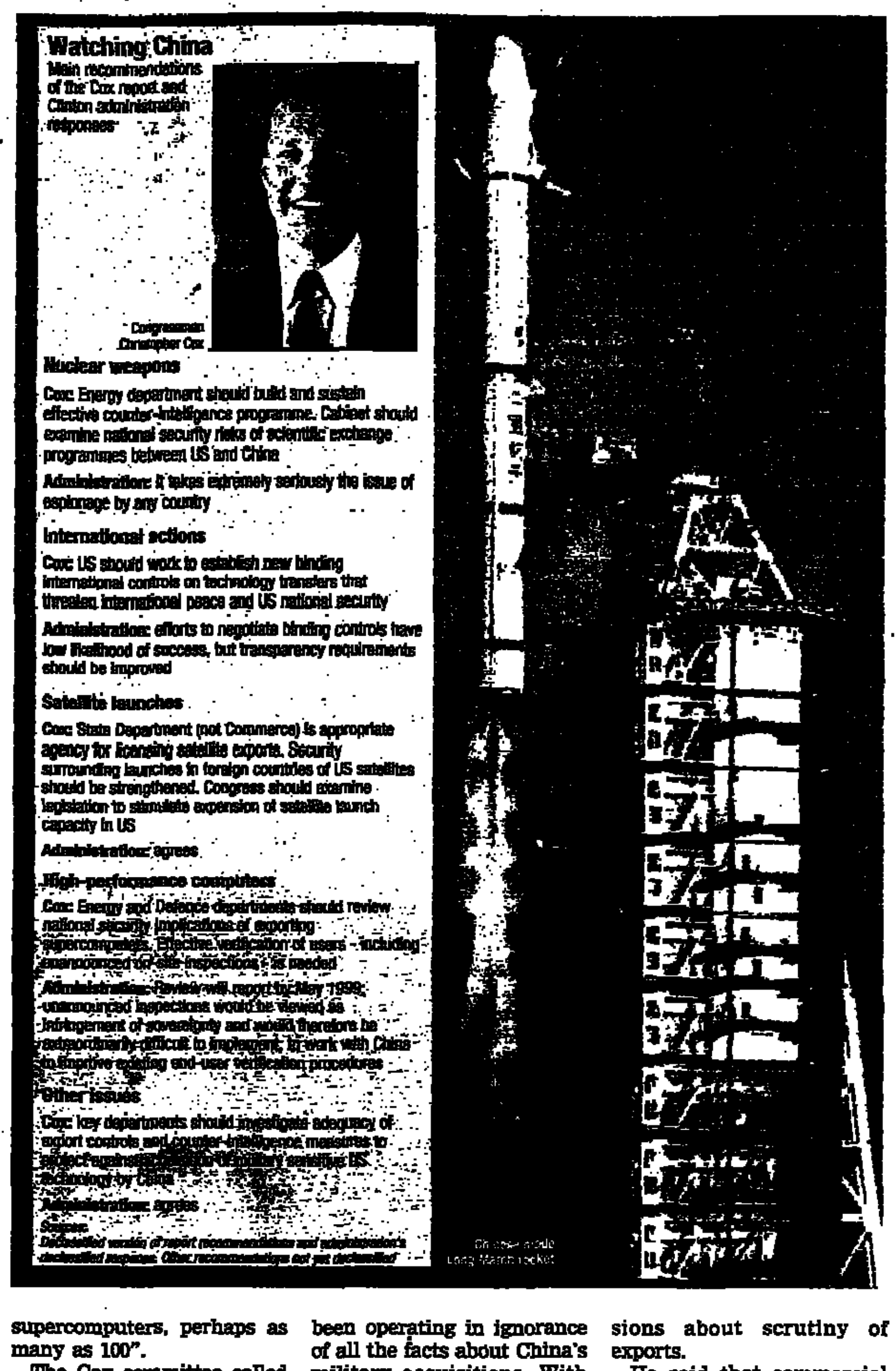
The Cox committee called for a review of the national security implications of exporting supercomputers.

It also urged a study on the extent to which clustering low-performance computers could produce a massive boost in their power.

Speaking about his report, Mr Cox said that business as well as government had been operating in ignorance of all the facts about China's military acquisitions. With the facts that he had, but could not disclose, certain apparently unobjectionable exports could have larger implications for US national security.

He said the military designs of the PLA should be better understood by any part of the government responsible for making decisions about scrutiny of exports.

He said that commercial companies and the US government were both targets of Chinese acquisition efforts. But there was also a need for better sharing of information in the government and with the business community if people were to be expected to exercise restraint in their dealings with China.




# Washington pressed to curb sensitive deals

By Tony Walker and Stephen Fidler in Washington

Christopher Cox, chairman of a select committee of Congress looking into unauthorised transfers of high technology to China, is striving to preserve bipartisan support for its controversial recommendations.

The committee's deliberations on the diversion of dual-use technology to the Chinese military have been watched closely by US businesses worried about additional restrictions on exports to China.

Mr Cox, a California Republican, said in an interview that he had written to President Bill Clinton seeking an early meeting to review his committee's proposals. These are aimed at stiffening controls over exports of such items as satellites for launch on Chinese rockets and supercomputers which can be used to enhance China's military modernisation.

Some administration officials have said the report has already affected the export licence approvals process. William Reinsch, under-secretary for export administration at the Commerce Department, said last month: "People are afraid to say Yes to perfectly sensible applications that wouldn't have raised an eyebrow 10 months ago."

The committee's 700-page report, a declassified version of which is due to be released next month, details the alleged systematic Chinese theft of US military secrets.

Non-proliferation experts have long been calling for stiffer controls over technology transfers to China. Henry Sokolski of the Non-proliferation Policy Education Centre in Washington, said there was an urgent need for "more explicit" restrictions on categories of items to be transferred to the Chinese.

"If we spent more time focusing on what we should or should not sell, we wouldn't need to spend so much time monitoring what we have sold," said Mr Sokolski.

Earlier this month, the administration issued a "point-by-point" reply to the Cox committee report in which it endorsed a number of recommendations, but made clear it believed others were unworkable.

Mr Cox feels the administration response was aimed at blunting the thrust of his recommendations. "Our proposals should be looked at seriously and not treated as a political matter," he said. They were designed to "streamline" and not further complicate the export control system.

A senior administration official said the White House response was sincere and was aimed at addressing concerns about weapons proliferation, including the diversion of "dual-use" technology for military purposes.

The congressional committee was set up last year to examine allegations of unauthorised help to the Chinese by the Hughes and Loral space companies whose satellites are being carried on Chinese launch vehicles. Its investigation widened to cover other aspects of China's acquisition of militarily useful technology since the 1980s.

The committee – made up of five Republicans and four Democrats – reported unanimously. Mr Cox wants sensitive sections of his committee's report declassified, including material about any theft of nuclear secrets from US national laboratories run by the Department of Energy. The Cox committee report also details how Chinese scientists built and tested in the early 1990s a neutron bomb using secrets said to have been stolen from a Department of Energy-controlled laboratory.

One controversial recommendation of the report, which the administration supports "in substance", is for a study of the "sufficiency of customs arrangements maintained by Hong Kong with respect to the People's Republic of China (PRC) and the appropriateness of continuing to treat Hong Kong differently from the PRC for US export control purposes".

## NEWS DIGEST

EAST TIMOR SETTLEMENT

### Indonesia prompts fears of independence chaos

President B.J. Habibie of Indonesia yesterday said he wanted East Timor to settle for autonomy or independence by the end of this year, raising concern that Indonesia's sudden change of tack on the territory could leave it in chaos.

"We don't want to be bothered by East Timor's problem any more after January 1, 2000," Mr Habibie said. "We will fully concentrate on the interests of our remaining 26 provinces," he said, suggesting he was expecting the territory, annexed in 1975, to reject an offer of greater autonomy within Indonesia.

Mr Habibie said last month that he would ask parliament to cancel the annexation unless the Timorese and outside world agreed to autonomy. His foreign minister, Ali Alatas, had not been informed of this change of policy and has tried ever since to present it as an orderly and gradual pullout. East Timorese leaders, and many foreign nations, have called for autonomy followed by a referendum.

Mr Habibie has moved from the old policy of insisting on integration to the other extreme of speedy separation. East Timor slipped into civil war shortly after Portugal pulled out and diplomats said they feared Indonesia could repeat Portugal's mistake.

Xanana Gusmao, the Timorese rebel leader, has called for a ceasefire and disarmament across the island. Indonesia's army has armed Timorese who favour integration following attacks by pro-independence groups.
**Sander Thoenes, Jakarta**

BUS DIPLOMACY

### Sharif welcomes olive branch

Pakistan yesterday welcomed the decision by the Indian prime minister, Atal Bihari Vajpayee, to travel to Lahore by bus on February 20 to meet the Pakistani prime minister, Nawaz Sharif. Mr Vajpayee's proposed gesture is seen as a significant olive branch, diplomats said.

As yet, there are no details on a specific agenda for discussions, though Pakistani officials expect south Asia's nuclear arms race to be among the main themes.

Earlier this month, a visit by Strobe Talbott, the US deputy secretary of state, to Delhi and Islamabad was followed by speculation that the two countries may sign the comprehensive test ban treaty within months, in response to pressure from the US and other western countries. But diplomats warned that it was still early to predict an irreversible change in relations. **Farhan Bokhari, Islamabad.**

BANGLADESH POLITICS

### Violent national strike ends

A crippling national strike in Bangladesh that killed six people and paralysed the country for three days ended yesterday. About 200 people were injured in clashes between opposition and government supporters who fought with guns and bombs earlier yesterday as the strike entered its third consecutive day.

The strike began on Tuesday and was originally set to last 48 hours but was extended another 12 hours after violence erupted between supporters of the opposition Bangladesh Nationalist party (BNP) and the ruling Awami League. It shut down the country's main port in Chittagong, its stock exchanges, most banks, businesses and schools. **Reuters, Dhaka**

HONG KONG ECONOMY

### IMF points to jobless

Hong Kong's record unemployment is proof that the territory has not escaped the Asian financial crisis, a government report on an International Monetary Fund meeting said yesterday. Despite Hong Kong's solid economic fundamentals, the economic adjustments have taken "substantial costs in terms of output and employment," the report said.

The IMF's comments, published in a Hong Kong government report, follow the world financial body's annual meeting last month with China on the state of the territory's economy. IMF officials have held annual talks with China regarding Hong Kong since 1990. **AP, Hong Kong**

# Malaysia puts on charm offensive to woo investors

Fund managers are being asked to return to the country, writes **Sheila McNulty**

Five months after Malaysia turned its back on foreign investors, it is on a charm offensive to get them back.

This week, it pulled out all the stops at the Crédit Lyonnais Securities conference in Kuala Lumpur: Daim Zainuddin, the finance minister and the man in charge of the country's economic recovery, was the key speaker.

He brought a high-powered entourage with him: senior officials from the central bank, the stock exchange, business, the dominant UMNO political party, and the agencies charged with buying the non-performing loans from the banks and recapitalising them.

Their mission was to convince 110 fund managers, in command of more than US$100bn, to return.

The investors, from the US, the UK, Hong Kong and Singapore, were impressed by the effort, given the diatribe from Mahathir Mohamad, the prime minister, against them since the regional crisis began.

Aside from one comment Dr Mahathir made, and later denied, that it was the result of a Jewish conspiracy, the fund managers said they never took his harangue too seriously.

Malaysia was one of the most active markets in the region before the crisis and they knew its leaders would sorely miss their participation.

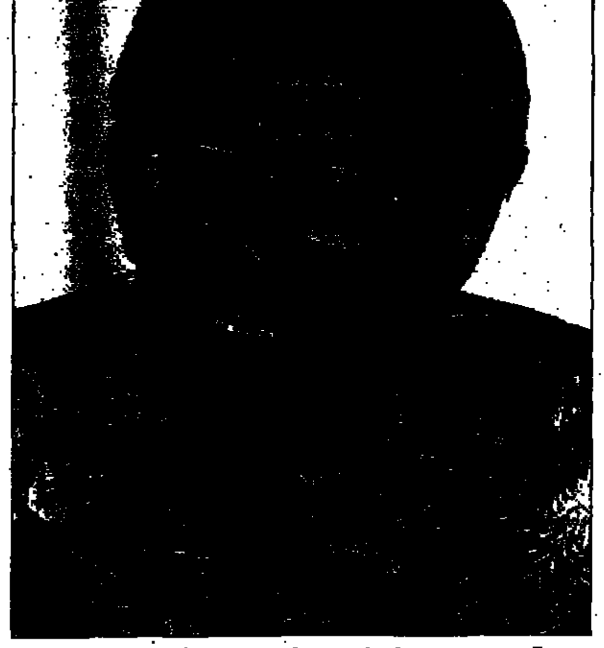
Last week, the authorities took the first step towards ending the stand-off that began in September when Malaysia withdrew its currency from international circulation, imposed a series of controls on the flow of capital, and barred the repatriation of foreign investment in the stock market for a year.

Mr Daim, who is leading the charm offensive, announced that the authorities would be lifting their most contentious regulations and said foreigners no longer had to wait to repatriate profits from the sale of their investments in the share market.

In place of the 12-month holding ban, the authorities instituted exit taxes that still separate Malaysia from the immediate region. However, the gesture was duly noted.

Kate O'Donoghue, regional economist at Barclays Capital Singapore, said it marked a shift in policy. "The ultimate outcome is likely to be a return to economic orthodoxy and eventual removal of capital and exchange rate controls," she said.

The next day, the authorities loosened restrictions on border traders. And at this week's conference, Mr Daim hinted they were willing to go further still.



Daim Zainuddin: review on case-by-case basis Reuters

Despite Dr Mahathir's long-standing nationalist objection to permitting greater foreign participation in the financial sector, Mr Daim indicated Malaysia was prepared to consider it.

"There have been no applications for this, but if there are any applications, they will be reviewed on a case-by-case basis," the finance minister added.

He invited the fund managers to write to him with any more suggestions for change. While some were impressed by his willingness to listen, others found him too defensive for their liking.

Mr Daim insisted that the centrepiece of the capital controls – the ringgit peg at M$3.8 to the US dollar – would remain, echoing Dr Mahathir's feelings when he said: "There must be restructuring of the international financial architecture first."

Mr Daim also said that the revision of the classification of non-performing loans to those in default for six months, instead of the internationally accepted three, would continue, insisting: "We need the breathing space."

Economists expect almost one in three loans to become non-performing, according to the international classification, when the crisis peaks this year. Some do not see positive growth returning to Malaysia until next year.

Such fundamental concerns about the economy are why some fund managers say that even if all controls are lifted they would be hesitant to commit new money to Malaysia.

"At this level of the market, and with what is going on in the economy still unclear, there is far more risk than there is reward," said Hugh Young, managing director at Aberdeen Asset Management Asia.

Some of those at the conference suspected the economic problems must be wider than the authorities first had expected, or they would not be so keen to woo foreign investors just months after snubbing them.

Most, therefore, came only to learn a little bit more about what is going on in Malaysia.

Some will always resent Dr Mahathir's "Jewish" remark; others believe his administration lost all credibility with the sacking, jailing and the beating by police of Anwar Ibrahim, his former finance minister and deputy, on charges of having "low morals" and abusing his powers.

But most fund managers say they will return to Malaysia one day. "It's a black mark to eradicate for those of us who have memories," Mr Young said.

"But you will find someone, in a couple of years, who never heard of Mahathir and is running a Malaysia fund who won't worry."

That could be why Gary Coull, chairman and chief executive of Crédit Lyonnais Securities (Asia), characterised Mr Daim's offensive as tempered, saying that while Malaysian authorities appeared eager to get foreign investors back, it was "on their own terms at their own time".

# Industrial output up in China

By James Kynge in Beijing and James Harding in Shanghai

China's industrial output was yesterday officially reported to have surged 17.9 per cent in January to RMB151bn ($18.2bn). The increase, compared with the same month a year ago, was virtually double the average growth rate in 1998.

Economists said that the January output figure might have been inflated by the anticipation that output in February would be hit by the spring festival holiday which starts next week.

A state-led infrastructure spending programme appeared to boost demand for building materials, but neither the increased demand for steel, cement and other infrastructure inputs, nor recent signs of success in a nationwide anti-smuggling campaign, have yet had an impact on China's most troubling domestic problem – deflation.

The Xinhua news agency also announced yesterday that China's retail price index fell for the 16th straight month in January. The 2.8 per cent decline was steeper than the average 2.6 per cent retail price decline in 1998 over a year earlier.

Deflation reflects the chronic oversupply of goods in China's marketplace and a weakness in consumer demand brought on mainly by people's reluctance to spend at a time of increasing unemployment. The fall in retail prices has hit the profits of state enterprises hard.

مكرر من الاصل

**INTERNATIONAL AVIATION** GOVERNMENT ACCUSED OF MAINTAINING BRITISH AIRWAYS IN 'LAND OF MILK AND HONEY'

# TWA chief scorns 'high' fares to London

By Michael Skapinker, Aerospace Correspondent

The UK is known in international aviation as the "land of milk and honey" because of the high fares carriers can charge. Gerald Gitner, chairman of Trans World Airlines of the US, said yesterday.

Mr Gitner said fares from the US to London were higher than those to any other European city except Frankfurt. He told the Aviation Club in London that a basic economy fare from New York to London was $1,290, compared with $974 from New York to Paris. A typical business class fare from New York to London of $2,683 was higher than to Paris, Amsterdam and Milan, he said.

Mr Gitner said the difference was due to the UK government's protection of British Airways' strong position at London's Heathrow airport. Under the UK-US aviation agreement, only two UK airlines – BA and Virgin Atlantic – and only two US carriers – United Airlines and American Airlines – are allowed to fly between Heathrow and the US.

"It appears to TWA that the British government for years has been more concerned about British Airways than it has been about British consumers. This position appears to be based on the belief that what is good for British Airways is good for the United Kingdom," Mr Gitner said.

Mr Gitner called for a new "open skies" agreement between the two countries. But he said this should not be accompanied by a US government grant of anti-trust immunity to the planned alliance between BA and American. The two airlines have said they would like to see an open skies agreement phased in over four or five years, after which they would be given anti-trust immunity. Anti-trust immunity allows airlines to co-ordinate their flight schedules and set fares jointly.

Mr Gitner said the granting of anti-trust immunity to other alliances had distorted competition. He said fares from the US to Frankfurt were higher than to London because the alliance between United and Germany's Lufthansa had received anti-trust immunity.

BA said: "London remains a consumer's choice with more flights to New York and the US than any other European city. Competition is intense and prices could be even keener if there was a new open skies deal between the UK and the US, something we hope to see phased in in the next four or five years."

BA said its planned alliance would result in "more competition, not less".

● Delays after February 25 on flights from Switzerland to the UK were predicted yesterday by Switzerland's Federal Office for Civil Aviation. Establishment of new European air traffic control flight routes may also affect flights from Italy. "During the initial phase, there is a risk that considerable delays may occur in Europe and it isn't impossible that some flights may be cancelled," said the office.

# Scots business renaissance may be short-lived

Region's new parliament could find itself playing a very limited role in controversial company takeovers, writes **James Buxton**

This week two quoted companies, based in Glasgow, have been in the news for what many Scots would consider to be the wrong reasons. Stakis, the hotels group, accepted a £1.4bn takeover bid from Ladbroke.

Meanwhile, Weir Group, the engineering company, has rejected an approach from a larger US rival, but its independence could still be in danger.

Yet public reaction to the likely closure of Stakis's Glasgow headquarters, which employs 200 people, and the disappearance of the Stakis name, has been muted.

A trade union official has called for the headquarters to be retained – but MPs have been silent, and the only big article about it in a Scottish newspaper said takeovers were a fact of life.

It was not always thus. In the 1980s a series of takeovers sparked anger, with Scots fretting that corporate Scotland was melting away before their eyes.

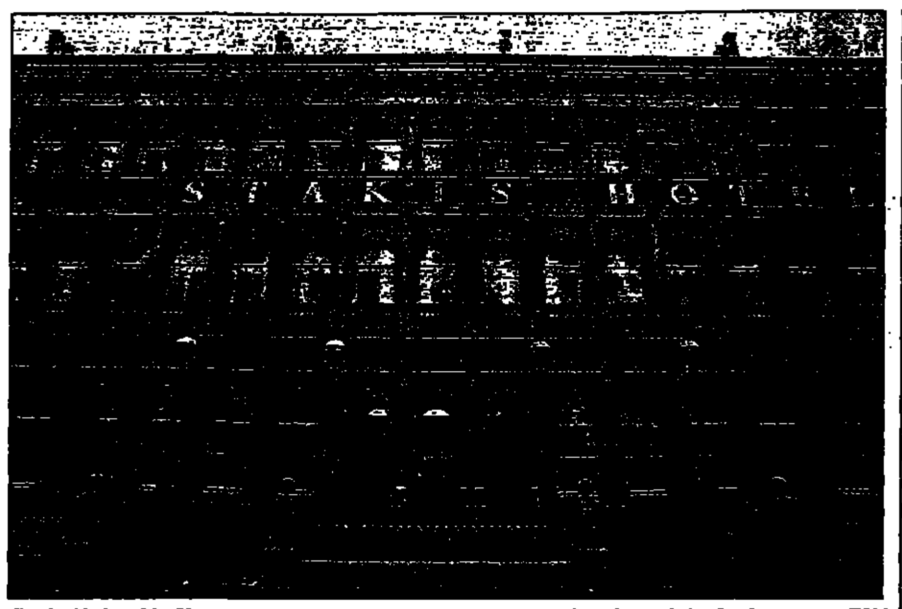
There was particular dismay in 1986 about Guinness's takeover of Distillers and Viyella's takeover of Coats Paton, the textile company. Not long afterwards Glasgow-based Britoil fell to British Petroleum.

But when Donald Dewar, the chief minister for Scotland in the UK government, said last March that the new Scottish parliament should protect Scottish companies from being acquired by ones based outside Scotland there was an embarrassed silence from the Scottish business leaders present.

Did Mr Dewar not realise that ring-fencing Scottish business would invite retaliation against some of the most successful companies?

Compared with the unadventurous 1980s, the 1990s have seen a renaissance in Scottish business. Scottish Power, the Glasgow-based privatised electricity company, has bought the privatised English companies Manweb and Southern Water. Perth-based Stagecoach has bought privatised bus companies in England and overseas, and is a big player in the privatised UK rail industry.

Scottish & Newcastle is the UK's biggest brewer, thanks to its acquisition of Courage. Devro, the sausage casing maker based near Glasgow, has trebled its size by buying Teepak of the US.



The Stakis hotel in Glasgow is part of the chain bought by Ladbroke this week for £1.4bn ATOM

| | Buyer | Target |
|---|---|---|
| **Takeovers of Scottish companies** | | |
| Feb 99 | Ladbroke | Stakis Hotels |
| Feb 98 | Commercial Union | General Accident |
| Mar 97 | Prudential | Scottish Amicable |
| **Takeovers by Scottish companies** | | |
| Dec 98 | Scottish Power | Pacificorp |
| Jun 96 | Scottish Power | Southern Water |
| Oct 95 | Scottish Power | Manweb |
| May 95 | Scottish & Newcastle | Courage |

Despite these successes and a more confident mood, Scotland still has fewer than 100 quoted companies, far less than merited by its share of the UK economy and by its population. Of more concern for the future, its rate of new company formation is still about 30 per cent below the UK average.

Against this background the probable loss of Stakis's headquarters and the threat to Weir Group are unwelcome. "They are certainly a cause for concern," says Professor Brian Ashcroft of the Fraser of Allander Institute, Scotland's leading economic research body.

A city that is home to company headquarters benefits from spending and investment decisions that favour the area. The gradual drift of headquarters to the London area leaves Scotland and the north of England with a relative dearth of professional and middle-class people.

These, Prof Ashcroft says, comprise the social group most likely to spawn new businesses. Their shortage in Scotland helps explain the low business birth-rate.

But despite Mr Dewar's remarks there is very little the Scottish parliament can do about the threat of takeovers to Scottish companies.

The UK government has said there must be a similar level of business regulation operating in Scotland and in England.

The Scottish parliament's role in controversial company takeovers may be limited to pressing for investigation by the Monopolies and Mergers Commission.

# Regulator attacks TV company's bid for soccer club

By John Gapper, Media Editor

The main regulator for the television industry has called for British Sky Broadcasting's planned £623m takeover of Manchester United soccer club to be blocked, together with similar deals proposed by other media companies.

The Independent Television Commission, which regulates all commercial broadcasting, has told the Monopolies and Mergers Commission it should stop such takeovers because they would impede the sale of broadcast rights.

ITC officials have told the MMC panel considering the BSkyB takeover, referred by the government last year, that it would be unsafe only to impose conditions on such takeovers because they might not be enforceable. They argued low standards of corporate governance in the management of a number of soccer clubs meant some could not be trusted to stick to conditions.

Although the MMC could ignore the ITC advice and clear the deal, it is likely to take its views seriously. The government entrusts regulation of the commercial broadcasting sector to the ITC.

The ITC's stance also increases pressure on Stephen Byers, the chief trade and industry minister, who bears responsibility for the issue. The government has been accused of favouring BSkyB because it is partly owned by Rupert Murdoch.

The ITC's attitude could also affect the proposed takeover of Newcastle United by NTL, the cable company. Other deals are expected to follow if BSkyB is cleared.

The commission yesterday declined to comment on evidence given in private by officials led by Peter Rogers, its chief executive. The MMC is thought to have asked for further details of the ITC's views after their initial session. The ITC told the MMC that acquisitions of sporting teams by broadcasters would distort the free market in broadcast rights to matches. It could affect the price paid by television companies and the quality of coverage.

The rights to broadcast top matches up to 2001 are among BSkyB's most important assets. It has used them to attract more than 7m cable and satellite subscribers to its Sky Sport channels. BSkyB's shares rose 33p to 508½p yesterday.

# Country to end 800-year-old feudal system

By James Buxton, Scottish Correspondent

One of the first moves of the new Scottish parliament is likely to be the abolition of the last feudal system in Europe.

Yesterday the government received a draft bill to rid Scotland of "feudal superiors and feu duties", and convert all vassals into full property owners.

The bill would strip the Scottish legal system of laws dating back 800 years, repeal 45 acts of parliament, the first of which was passed in 1597, and remove obsolete sections and words from other acts.

Although relatively few Scots realise it, many are in reality vassals who instead of owning their own homes hold them in perpetual tenure from a "superior". The superior may be part of a chain descending from the crown, which is the paramount superior.

The superior, who could be an individual, a company or a local authority, may be able to enforce conditions on the vassal known as feudal real burdens, such as prohibiting the commercial use of the property, or preventing construction of a greenhouse or garage. The superior can charge a fee, often hundreds of pounds, to waive the burden.

The Labour and Scottish National parties are pledged to make abolishing feudalism a priority of their land reform programmes for the Scottish parliament, which opens in July.

The feudal system was abolished in England in 1660 and in France in 1789, but in Scotland it was given a new lease of life in the 19th century as a way of controlling growing urban development. But that role has since been taken over by planning legislation.

"Most vassals won't notice the difference," said Professor Keith Reid of the Scottish Law Commission that drafted the bill. "The feudal system sounds worse than it is and now exists only in an attenuated form."

Vassals would now become full owners and many feudal real burdens would disappear. Feu duties – twice-yearly payments from vassals to superiors – would be extinguished, though most have been bought out under legislation passed in 1974.

# Creative exports exceed those of Germany

By Christopher Adams, Economics Staff

Steep growth in the creative industries has helped the UK overtake Germany and France to become the world's second biggest exporter of services, official figures showed yesterday.

Fashion, film, pop music and advertising are among the fastest-growing sectors of the UK economy. An expanding appetite in other countries for a taste of British culture is outpacing overseas demand for core services such as transport and travel.

The Office for National Statistics reports, in the first survey of its kind on the service sector, that the creative industries have helped lift the UK's share of global trade in services to more than 6 per cent. Rapid growth in financial services, computing and information technology has also boosted exports.

The service sector has grown much more rapidly than the rest of the UK economy. Services account for about two thirds of total economic output.

The ONS survey, published yesterday, showed exports to the rest of the world jumped from $82.7bn to $93.9bn in 1997. The US is the biggest exporter of services.

The UK's surplus in services more than doubled from £5.7bn to £11.9bn in the five years to 1997.

The biggest components of UK trade in services are transport and travel. Travellers to the UK accounted for £13.8bn, or 15 per cent of exports.

But growth in both of these sectors appears pedestrian compared with the increase in overseas earnings from the creative industries.

Total revenue from film and television exports increased by an average annual rate of about 7 per cent between 1993 and 1997, helped by British-made box office successes such as *Four Weddings and a Funeral* and *Trainspotting*.

## NEWS DIGEST

**HEATHROW TUNNEL COLLAPSE**

### Austrian engineering firm breached safety laws

An engineering consultancy that knew a tunnel being built at Heathrow Airport was about to collapse but failed to warn anyone was yesterday convicted of breaching health and safety laws. The tunnel, part of the Heathrow Express rail link, collapsed in October 1994 causing substantial damage and the cancellation of hundreds of flights. Geoconsult GES, an Austrian-based firm responsible for the tunnel's design, was monitoring its construction and possessed data indicating the collapse was likely two weeks before it happened, the court heard.

The jury convicted the company on two charges of failing to ensure the safety of employees and of the public. Balfour Beatty, the civil engineering firm that built the link, admitted the same offences in November 1997. Both companies now face substantial fines. Previous cases have typically resulted in fines of between £100,000 and £250,000. A prosecutor for the Health and Safety Executive, said the collapse was one of the worst civil engineering disasters in recent years and could have led to a national disaster.

Geoconsult had failed to give any warning of the likely collapse. "As a result, men continued to work, buildings remained in use and one of the busiest airports in the world continued to function. It was only by chance that a major disaster was avoided," the prosecutor said.

The collapse happened at 01h00 on October 21 1994, when there was nobody in the tunnel. But it produced a crater by the central terminal between the two main runways which dragged down car parks. The cancellation of flights cost British Airways £50m ($82m). The collapse could have affected trains on a London Underground line and it was only by chance that none were running, the court heard. **John Mason, London**

**'IRA SNIPER' TRIAL**

### Beating of suspect denied

The man accused of murdering Lance Bombardier Stephen Restorick, the last British soldier killed in Northern Ireland, was seriously injured during his capture, it was accepted at his Belfast trial today. But the soldier who led the arrest squad denied that Bernard McGinn had been beaten by his men. Mr McGinn, 41, from County Monaghan in the Irish Republic, is accused of three murders. The Lord Chief Justice, Sir Robert Carswell, told Mr McGinn's lawyer he accepted McGinn was injured when arrested in 1997. The soldier leading the operation, identified in court only as Mr A, denied McGinn had been "beaten with rifles, boots and fists". The case continues.

**PRIVATE HEALTHCARE**

### Insurer may be investigated

PPP, Britain's second biggest private healthcare insurer, could face an investigation by the Office of Fair Trading following a complaint by the Heart private hospital near London's Harley Street. PPP, owned by Guardian Royal Exchange, is being taken over by AXA, the French insurance group. The new Heart hospital, owned by Gleneagles, claimed PPP was seeking to prevent the hospital competing against PPP's own London clinics. Sir Richard Needham, chairman of Heart, said PPP was "refusing to list the hospital as an approved clinic with full reimbursement of treatment costs". He claimed this was "a clear case of unfair competition".

PPP holds more than 60 per cent of the private healthcare market in south-east England and 40 per cent nationwide. **Simon Buckby, London**

**RAIL PRIVATISATION**

### 'Red' mayor 'may damage sale'


Companies interested in the part-privatisation of the London Underground railway have warned the government that proceeds from the sale could be hit if Ken Livingstone – a leftwinger known formerly as 'Red Ken' – stands as a candidate for the capital's mayor. Mr Livingstone, an MP in the governing Labour party widely tipped as a likely winner of the mayoral election, was the last leader of the Greater London Council, abolished by Margaret Thatcher in 1986. The mayor will have considerable influence over the Underground. The government has emphasised that London's mayor will have wider transport powers than those of the mayor of New York. "If Ken Livingstone is seen as a possible candidate, the bidders will price in an additional risk premium," said an adviser close to the project. The party leadership is reported to be looking for a figure to beat Mr Livingstone for the party's candidacy. But senior party figures believe no one – including Frank Dobson, the popular health secretary – could be guaranteed to beat him. Mr Dobson denied reports the prime minister was urging him to stand. **David Wighton and Alan Pike, London**

# Green and pleasant land feels threat from a suburban hell

The UK needs up to 5m new homes by 2021 but many of them will have to built in rural areas. **Deborah Hargreaves** reports on a fierce debate

The utopian image of the British countryside – rolling meadows criss-crossed by hedgerows and sleepy villages dotted with thatched cottages – is threatened by encroaching suburbanisation. So say pessimists who fear much of the south of England – from London's Hyde Park to Lands End in the far south-west – will be under concrete within 20 years.

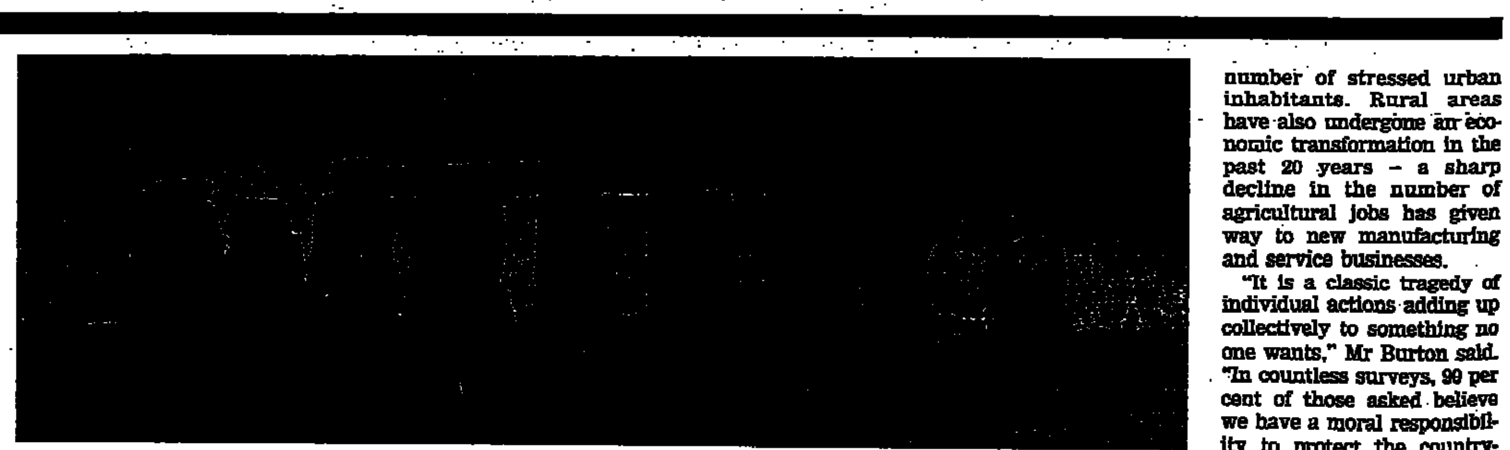
The perceived threat to England's rural idyll has sparked a heated debate, pitching an increasingly vocal countryside lobby against townspeople and an urban-minded government. Ministers are attacked at local planning meetings; rural authorities flout government guidelines and refuse to build thousands of homes; and court cases challenging government development rules build up. Last year 150,000 campaigners marched through London protesting that rural issues were being neglected.

At the heart of the debate is the government's estimate that between 4.4m and 5m new homes will be required by 2021, many of which will need to be built on "greenfield" sites. Most will be small stand-alone houses with minute gardens as Britons tend to shun living in apartments.

The need for new homes is to accommodate a growing number of small families rather than a rising population. Marital break-up and the trend towards living alone mean a more small homes will be required, the government claims. These trends also point to the associated problem of traffic congestion, which is rapidly becoming as much a suburban problem as an urban one.

A study in December said 3m more people will flood into the countryside from urban areas in the next 20 years, unless towns and cities are revitalised. There is a small migration in the other direction, with a few high-earners repopulating inner city areas.

"To build 4.4m new houses, you are talking about 1,700 square km – an area as big as London again," says Tony Burton, from the Council for the Protection of Rural England, a lobby group.



When the stone circle at Stonehenge in southern England was positioned 5,000 years ago, it would probably have stood in isolation. Now it is bypassed by two main roads. It has taken six years – since the the site was labelled a "national disgrace" by a government watchdog – for ministers to decide to route the roads through a tunnel, returning the monument as near as possible to its original setting. Stonehenge, a World Heritage site, is one of the UK's leading tourist sites Headline Photo Agency

The government says 60 per cent of the new houses should be built on "brownfield" sites – former industrial land and derelict buildings in cities. It was forced to raise the target from 50 per cent because of the strength of protest from the countryside over the amount of greenfield development. The CPRE says the figure for brownfield sites could be 75 per cent.

But building on brownfield sites is more costly and can be complicated. Most people do not want to live on them and developers are eyeing attractive rural sites.

A public inquiry is under way at Ely, in Cambridgeshire – one of the fastest-growing areas of the country – that highlights the government's dilemma. The 11-day meeting is reviewing plans for a 23 per cent increase in new homes by 2016 – equal to four new developments the size of Cambridge, the county's university city.

The government hopes that hostility to the new homes will be defused as these plans are examined publicly. But public opinion in Ely is polarised. Business leaders say the council plan is too restrictive and will stifle growth in technology industries around Cambridge, an area that is the UK's nearest challenger to California's Silicon Valley. Countryside campaigners say the plan does not do enough to protect the environment.

The countryside is partly a victim of its own success. The rural idyll image appeals to an increasing number of stressed urban inhabitants. Rural areas have also undergone an economic transformation in the past 20 years – a sharp decline in the number of agricultural jobs has given way to new manufacturing and service businesses.

"It is a classic tragedy of individual actions adding up collectively to something no one wants," Mr Burton said. "In countless surveys, 99 per cent of those asked believe we have a moral responsibility to protect the countryside, but a lot of people want to live there."

The government says it will outline an integrated strategy for the countryside this summer, when the government's urban taskforce is due to report. It is looking at ways to regenerate urban areas to make them more attractive for people to live in and considering the imposition of higher tax rates on greenfield developments.

But unless the government lures more people into city centres, England's shires may disappear under more housing estates and roads.

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Innovative Executive Recruitment

VISA

# HEAD OF BUSINESS DEVELOPMENT - COMMERCIAL PRODUCTS

**Attractive salary package** **LONDON BASED WITH EUROPEAN FOCUS**

Visa International is the world's leading full-service payment network, with over 600 million cards bearing their name and has a brand that represents global security, reliability and innovation. The Commercial Product portfolio includes the Purchasing, Corporate and Business cards and will enable businesses to streamline their expenditure and become more accountable through more effective data capture. To further develop this portfolio in Europe, Visa is looking to recruit a Head of Business Development.

### The Position

- Report to the Senior Vice President Commercial Products and responsible for the sales objectives in the EU.
- Design the business development strategy, and implement it directly and through the Relationship Management team.
- Continue to build upon the existing relationships with Members and target other strategically important business alliances.
- Contribute to sales calls, plan and organise seminars, and provide sales support mechanisms to enhance the efficiency and quality of the relationships between Visa and their alliances.

### The Requirements

- A minimum of five years' business-to-business relationship management, sales or marketing experience, coupled with a solid commercial background and a cultural fit that will allow the construction of strong alliances over reasonably long lead times.
- Graduate, with a preference for a further business qualification.
- Ideally a good knowledge of the financial services industry, gained from either working in or dealing with the banking sector.
- An EU citizen, fluent in English and at least one other European language (preferably, but not restricted to Spanish, Italian or French), able to work in a multicultural team and market.

Please send your CV with current salary details to: James Isaacs, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 22213A/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

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A DIVISION OF KORN/FERRY INTERNATIONAL

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### The Requirements

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- Responsiveness to fast changing market conditions.
- Personal qualities will include high intellect, good communication skills, the ability to build teams, change corporate culture and get on with people of diverse backgrounds and experience.

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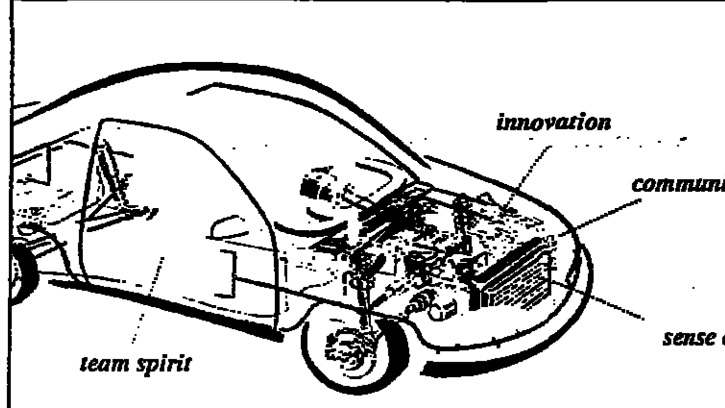


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- *preparing, analyzing and securing approvals for capital investments*
- *managing cash and performing other treasury functions*
- *supporting the internal control process and related activities*

*Candidates should possess a degree in Business Administration and at least 4 years of finance-related experience, preferably in a multinational corporation. Experience in the electronics and/or automotive industry would be a plus.*

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*If you meet our criteria, please send your application, including your salary requirement, in English via fax or mail to the address: Markus Diemers, Human Resources, Delco Electronics Europe GmbH, Gustav-Nachtigal-Straße 5, 65189 Wiesbaden, Fax: +49-611-7877851, mdiemers@mail.delcoelect.com*

DELPHI Automotive Systems

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**Human Resources**
**Westdeutsche Landesbank Girozentrale**
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WestLB

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FINANCIAL TIMES
No FT, no comment.

ROBERT TAYLOR

# Multi-faceted approach

## European employment policy is much more dynamic and varied than the UK's

On a recent visit to the west of England Tony Blair, the prime minister, with Wim Kok, his opposite number from Holland, beside him, expressed the opinion to business leaders that perhaps the European Union would need to scrap what he sees as its job-destroying social regulations if continental unemployment is to be cut significantly.

The UK view of mainland European labour markets has hardened into a dogma. In the unpredictable and fast-moving world of globalisation, old-style labour protections have no place. Workers need to make themselves more employable by learning new skills. Governments should focus their limited resources in assisting this development, not propping up enterprises with subsidies to save jobs. It will be interesting to see whether Mr Blair applies this approach if BMW decides to shuts down its Longbridge plant in Birmingham.

With productivity measured by output per worker nearly twice as high in that company's German plants as those in the UK, it is difficult to understand why social market economies such as Germany should have anything to learn about employability from a country that continues to have one of the most inadequate industrial training systems in Europe.

What is not sufficiently appreciated in the UK is that mainland European employment practice remains much more varied and dynamic than the stereotype neo-liberal picture suggests. Allan Larsson, director-general of the EU's social affairs commission, likes to argue that it is the existence of generous and comprehensive social protection systems that have enabled many companies in Europe to embrace structural change without fear of social division. Most of the European countries with strong welfare safety nets are those with surpluses on their current accounts – Germany, Holland and all of Scandinavia.

Moreover, almost all of the EU's existing 76 social directives are concerned with setting minimum workplace standards in areas like health and safety, equal opportunities and free movement for workers, and are not barriers to growth or crippling cost burdens. In the same way the social dialogues between governments, employer associations and trade unions which are commonplace almost everywhere in the EU except the UK have proved highly successful in containing inflation and improving corporate performance.

Contrary to the opinion of economic neo-liberals, mainland European labour markets are reforming and modernising all the time in response to technological change and an ageing workforce. Of course, this does not mean they are complacent, let alone triumphialist about their recent record. Mr Larsson points out that Europe's main unemployment difficulty is that 4m of the 9m jobless are without work for six months or more. "The long-term jobless are the core of Europe's employment failure," he argues. It is a problem in the UK more than many other EU countries. The EU strategy is to focus on active measures to get those long-term unemployed back into work.

Passive measures to protect the income of the jobless and their families amount to two-thirds of the €200bn ($226bn) labour market budgets of EU countries and only a third is invested in improved employability for jobseekers. Mr Larsson wants to change that. He believes those without work need "a springboard to skills and new jobs rather than just exits from the labour market". This means policies

**It comes down to a balance between flexibility for employers and security for workers**

that invest in the productive capacity of the whole potential workforce.

This is very much the Swedish middle way on employment policy that Mr Larsson perfected during his years as head of his country's labour market board. His pillars to modernise the European social models – employability; entrepreneurship; equal opportunities; and adaptability – are being accepted across most of the EU. Moreover, the European Commission – contrary to UK criticism – is seeking to integrate its social agenda with measures to improve economic performance, especially in small and medium-sized enterprises.

But contrary to the UK attitude it believes this is more likely to succeed through the creation of partnerships between employers, trade unions and employers at workplace, sector and national level. It is time such arguments were heard in the insular UK debate about work.

The Commission is concentrating attention on employment and not unemployment rates. It accepts the EU's job creation performance in recent years has been unimpressive compared with the US and Japan. The facts indicate employment rates for males aged 25 to 54 are broadly the same in the EU countries as in the US. But they are much worse among young people, prime-age women and older people over 55. Overall 60 per cent of adults of working age are employed in the EU compared with 70 per cent in the US.

Mr Larsson argues the employment rate in Europe will depend on an expansion of service jobs in distribution, education, health and social work, hotels and catering, finance and business services. It is in these sectors where the US has experienced job expansion.

**Salaries, bonuses and car allowances in City of London finance**

| Position | Base salary: Lower quartile £'000 | Base salary: Median quartile £'000 | Base salary: Upper quartile £'000 | Base salary: Average salary £'000 | Average bonus (% salary) | Car provision or car allowance: Car or allowance provided (% posts) | Car provision or car allowance: Median car value* £'000 | Car provision or car allowance: Annual allowance £'000 |
|---|---|---|---|---|---|---|---|---|
| Credit Head | 91.5 | 100.5 | 124.1 | 111.1 | 28.2 | 83 | 18.9 | 7.8 |
| Private Banking Head | 117.5 | 131.4 | 151.3 | 132.2 | 62.2 | 78 | 21.9 | 7.0 |
| Chief FX Dealer | 90.7 | 98.8 | 123.3 | 102.0 | 53.9 | 65 | 18.0 | 6.3 |
| Money Markets Head | 65.3 | 73.8 | 88.5 | 79.7 | 38.3 | 51 | 18.2 | 6.5 |
| Future & Options Head | 87.4 | 98.8 | 115.0 | 102.1 | 27.8 | 58 | 18.2 | 5.4 |
| Capital Markets Head | 140.0 | 165.0 | 185.0 | 163.0 | 65.4 | 67 | - | 7.5 |
| Eurobond Trading Head | 97.8 | 107.5 | 128.0 | 113.8 | 78.4 | 70 | 20.0 | 7.1 |
| Bond Sales Head | 99.0 | 115.0 | 142.5 | 113.1 | 102.0 | 63 | - | 7.1 |
| Equity Trading Head | 95.0 | 114.0 | 133.8 | 119.7 | 96.8 | 67 | 19.1 | 6.7 |
| Fund Management Head | 120.5 | 150.0 | 198.5 | 161.7 | 118.2 | 69 | 27.8 | 8.0 |
| Corporate Finance Head | 111.3 | 122.5 | 138.3 | 123.8 | 83.9 | 75 | 21.5 | 8.2 |
| Head of Risk | 81.3 | 87.3 | 100.0 | 93.6 | 39.7 | 75 | 19.1 | 6.6 |
| Head of Research | 80.8 | 82.5 | 141.3 | 102.5 | 97.8 | 71 | - | 6.3 |
| Legal Services Head | 67.8 | 77.6 | 88.8 | 90.1 | 25.8 | 80 | 18.9 | 6.5 |
| Financial Director | 86.3 | 93.2 | 119.9 | 104.2 | 28.4 | 64 | 22.8 | 7.8 |
| IT Director | 68.9 | 72.5 | 81.0 | 76.8 | 28.0 | 66 | 17.3 | 6.3 |
| Personnel Director | 67.5 | 80.0 | 90.0 | 81.0 | 44.8 | 67 | 19.1 | 7.3 |

Source: Guide to Remuneration in International Banks & Investment Houses. Published by Monks Partnership. *Increasingly companies are providing car allowances instead of company cars and therefore sample sizes for car values are in some cases quite small. These figures should be treated with care.

Monks Partnership's quarterly guide to pay in international banks and investment houses says average pay awards in the 12 months to February 1999 were lower than during the previous 12 month-period. The average increase was 5.5 per cent. The table shows the variation in the percentage of base salary included in bonuses, depending on the type of job. The guide costs £360. Monks Partnership, tel +44 1799 542222, e-mail: info@monkspartnership.co.uk

In all of this, public policy can help enormously. This is why Mr Larsson is pressing for supply-side reforms such as more childcare facilities to help women to work, raising skill levels of existing workers in information technology and reversing the trend to early retirement. He also wants tax and benefit systems to encourage employment creation. At varying speeds this strategy is being adopted across the EU.

But Mr Larsson and his policymakers remain unconvinced by the crude assumption that excessive labour market regulation discourages employers from hiring workers. As he explains in his report: "Labour market regulation is a multi-faceted concept including employment protection legislation, hiring and firing conditions, contractual relationships, working time and wages. There is no simple relationship between labour market regulation and employment. While some countries with less regulated labour markets have higher unemployment rates, others such as Austria and Sweden with more highly regulated labour markets perform well in terms of employment performance."

In the end it comes down to a balance between flexibility for employers and security for workers. The Commission is developing a realistic and imaginative strategy that transcends the tired old sloganising about labour regulation and flexibility. Perhaps next time Mr Blair takes to the road in praise of the UK labour market model he should take Mr Larsson with him.

## BANKING FINANCE & GENERAL APPOINTMENTS

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# International Accountant

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- ◆ Analysis and reporting of the worldwide monthly trading results.
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The successful candidate will be a qualified accountant with up to three years PQE and experience of financial reporting in a blue-chip international plc environment, coupled with a strong technical competence and project management skills.

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Please apply with a full CV to Angela Webb at Michael Page Finance, 40-42 High Street, Maidenhead, Berkshire SL6 1QE. Telephone 01628 771604 or fax 01628 785495 quoting reference 485908.
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# Financial Controller

## City

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- ◆ Treasury and cashflow management.
- ◆ Budgeting and management information.

The role is not standstill in nature; all areas require constant development and improvement in line with our client's aim of excellence across its operations.

Candidates will be graduate ACAs with a minimum of six years post qualification experience. They will require a good understanding of technical insurance issues applied from a business perspective. They should be hands-on, relationship builders with the credibility and confidence to make and act on recommendations across all levels.

Interested candidates should send their details to Sarah Hunt at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Telephone: 0171 269 1846, fax: 0171 329 3426. e-mail: sarahhunt@michaelpage.com
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Please send your CV quoting reference FSS28979 to Sarah-Jane Stone at Michael Page International, 159 avenue Achille Peretti, 92522 Neuilly-sur-Seine, cedex, France. Telephone 00 331 4192 7272, fax 00331 5524 9042.
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The post initially will be confined to financial and senior administrative responsibilities. There may be scope for a suitable candidate to assume full responsibility for domestic and estate management in late 2000 on the full retirement of Lt. Col. Peter Pennock after 14 years of committed service.

Details of the school are available at <www.aiglon.ch>. Applications, including c.v., details of three referees and a hand-written letter, should be addressed to the Headmaster, Aiglon College, 1885 Chesières-Villars, Switzerland and marked CFO/FT.

Closing date: Wednesday 24th February.

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# Director of Finance

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Tasks and responsibilities:

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- ◆ Assess and develop internal controls, processes, financial and tax management reporting, finance and treasury including the management of local banking relationships, reporting of budgets versus actual performance results.
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Profile of the suitable candidate:

- ◆ Degree in business/accounting or equivalent; post graduate accounting qualification or MBA preferred.
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If you are interested in applying for this outstanding opportunity, please send a comprehensive CV and accompanying letter (in English) to Michiel H. Sintnicolaas at Michael Page Finance, World Trade Center, Strawinskylaan 1057, 1077 XX Amsterdam, the Netherlands, quoting reference MS/56107.
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Applications in the strictest confidence, including salary details and quoting reference 99/2/FT should be addressed to Charles McGarry or Graeme Knox, Fletcher Jones Ltd, Hanover House, 45-51 Hanover Street, Edinburgh EH2 2PJ. Tel: 0131 226 5709 Fax: 0131 220 1940.

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- ■ Ensure that FX and currency management systems meet our client's requirements.
- ■ Cash management, including cash monitoring and projections and credit risk assessment.
- ■ Develop and maintain strong working relationships with Banks.
- ■ Develop and present new line of treasury activities.

### The Requirements

- ■ Proven experience of managing a treasury function.
- ■ A proactive self-starter, capable of managing and coaching a team and able to sell new ideas and working practices, if required, to the department.
- ■ High levels of intellect and initiative coupled with a hands-on approach to work.
- ■ Reliable, open minded and trustworthy, with a high level of integrity.
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Please send your CV with current salary details to: Mr. Metin Mitchell, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 15490A/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com
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DIAGEO

# Group Head of Transfer Pricing

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Key tasks will include:

- • optimising and prioritising tax planning to comply with international legislation;
- • analysing cross border and intercompany activity to ensure arms-length transfer pricing agreements are applied;
- • managing relationships across the treasury and tax functions both within the IFSC and at group headquarters in London.

Candidates will be qualified tax specialists with significant transfer pricing experience involving multi-national groups. A background in consulting, a large corporate or a tax authority would be appropriate. Strong technical skills, proven management ability and excellent communication skills are essential for this high profile, senior management position. Career opportunities within this fast-moving international group are excellent.

*Please send a full CV in confidence to GKR at the address below, quoting reference number 99998J on both letter and envelope, and including details of current remuneration.*

GKR

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Tel: 0171 534 0099. Fax: 0171 534 0001.
E-mail: lcurry@gkrgroup.com

# IT Appointments

# Contributing to Global Change

## REGIONAL FINANCE AND PROGRAMME SERVICES MANAGER

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Newly designated Regional Management Centres in Asia, Africa and Latin America will require senior management teams able to lead them forward strategically. The management teams will assume full responsibility for Oxfam's programme management and delivery, drawing together diverse programmes across a wide range of operations into a unified approach.

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PHILIP STEPHENS

# End of leadership

**The world is too dangerous a place for its problems to be dealt with successfully by today's mediocre and parochial politicians**

*There are politicians. And* there are politicians who change things. We live in a world of politicians. A few years ago someone proclaimed the end of history. Instead we have seen the end of heroism.

The impeachment of Bill Clinton has been emblematic of this new age of mediocrity. For the president's opponents, politics during this past year has been about nothing but the personal. A saga that began with Mr Clinton's recklessness is ending with a decisive rejection of the obsessive prurience of the Republican right.

There is some significance in the outcome. Mr Clinton's impending acquittal represents the triumph, if that word can be applied in such tawdry circumstance, of social liberalism over the Christian Coalition's brand of moral absolutism. Here was a victory worth having.

Yet the process has sent a more a depressing message about the present condition of politics. It was a contest devoid of dignity. The Republicans will lose because the only thing they had to offer was visceral hostility towards a president who had so often outsmarted them. Mr Clinton will win mainly because of his unwavering focus on his approval ratings.

This president is the high priest of the new politics of incrementalism. There has been no one more assiduous in nurturing the culture of contentment in middle America, no one more attentive to every beat and blip in the opinion polls. He never steps ahead of the popular mood. For vision these days, we must substitute focus groups. Politics starts and ends with coalition-building.

Mr Clinton is not alone. *Tony Blair has borrowed* many of his techniques. So has Gerhard Schröder. The quieter Lionel Jospin often seems to be heading in the same direction. Their preoccupations are those of their domestic constituencies. Put them in the same room and they will never stop talking about how best to capture the centre ground, be it in Peoria, Paris or Preston. I don't recall who first remarked that all politics is local. It was never truer than today.

Parochialism and mediocrity are natural bedfellows. It struck me this week watching these world leaders filing by the coffin of Jordan's King Hussein. Where amid this sea of greying hair and dark suits was the FDR or the Churchill, or, for that matter, the Sadat or the Rabin? Where was the leader ready to challenge rather than submit to the orthodoxies of the age? Did you spot a Gorbachev or, dare one say it, a Thatcher *or a Kohl? I didn't.*

Instead of leaders set on shaping the future we have ones who promise to survive the present. Occasionally events force them to look up from their pollster's printouts to the world beyond. But they are fire-fighters rather than thinkers. They can bomb Saddam and, if need be, bale out Brazil. Now and then they feel obliged to douse the fires still raging in the Balkans. They admit they are worried about Russia. They should be terrified. But this brand of politics responds to big questions with small answers. It sends in the technocrats from the International Monetary Fund.

Confront these leaders with the paucity of their ambition and the reply is a knowing shake of the head and an audible tut-tut. We must not be naive. Grandiose visions are all very well, but politics has always been the art of the possible. How can they change things unless they win elections. And to win elections, they must woo the middle classes. And thus, it seems to me, the means become the end.

I have heard it said also that this unfamiliar modesty on the part of politicians is something to be applauded rather than regretted. We should have learned during this past decade to appreciate the limits of government. The collapse of Communism and the globalisation of economic liberalism have taught us that big government is out.

The politicians are there not to change things but to facilitate change. We must leave it to the markets to make a difference to our lives. Surf the net, marvel at the great tides of global capital, imagine a billion personal computers in a billion mobile phones. These are the things that count. And if there is any good to be done by the politicians, it must be done by stealth. Mr Clinton, or for that matter, Mr Blair can rescue the people left behind by the market only if they forever nurture the needs of the middle classes.

Now look beyond these home fires of temporary contentment. Make the heroic assumption that Yevgeny Primakov's Russia somehow manages to step back from the abyss of economic ruin and political chaos. Presume, all fingers crossed, that the worst is over in Brazil. The picture still looks bad.

The seemingly effortless march of liberal capitalism ended last year in the financial conflagrations of south-east Asia. The so-called Tiger economies remain mired in slump. Japan, a nation in which political paralysis has become a way of life, seems to have forgotten the basic laws of economics.

So what of those promises of a new financial architecture, a set of rules to constrain the excesses of, while preserving the gains from, unfettered capital flows? It is all too difficult, say the policymakers in Washington. The best we can do is hope to put out the fires as and when. Sure, we may have failed, choruses the IMF, but there is no better way.

Things are no better in Europe. Puffed with pride at the launch of the euro, the European Union wants only to insulate itself from the turbulence outside. It boasts that is a global force to be reckoned with. And then absolves itself of responsibility for events beyond its shores. Faster economic growth? A helping hand for Asia? Forget it. We cannot expect mere politicians to challenge the divine right of the new European Central Bank to pursue deflation.

Enlargement too has fallen victim to this pervasive myopia. The prosperous nations of western Europe have been promising to embrace their formerly communist neighbours ever since the Wall came down. Opening the door to the east is the only sure guarantee of peace and prosperity. And where are we now? Well, it is all very complicated. Who's going to pay? Not, it seems, Germany. Nor Britain. Nor France. Nor Spain. Nor anyone else.

The reunification of Europe cannot be allowed to upset Bavaria's farmers or to threaten the rebate Mrs Thatcher negotiated on Britain's financial contribution to Brussels. And even if, as is promised, those issues are soon settled, the present members of the EU club want another two years or more to sort out "institutional questions" such as voting rights.

And in the meantime? They are throwing up stronger defences against the refugees who have given up hope of prosperity in the east in favour of asylum in the west. Churchill once described George W Marshall's plan for post-war reconstruction in Europe as "the most unsordid act in history". The EU's treatment of its neighbours is a strong contender for the epithet of one of the most sordid. As for Russia, the silence speaks for itself. When did you last hear a European leader utter more than a platitude on the subject?

Perhaps I am being too pessimistic. Or maybe politicians are made by circumstance. Events will jolt the present generation from their complacency. I hope so. The world is too dangerous a place for the end of leadership.


# LETTERS TO THE EDITOR

## Oil plan may fuel more devastation

*From Mr Vincenzo Franco.*

Sir, The news of Royal Dutch/Shell's plans for $8.5bn of investment in Nigeria (February 8) is alarming to those who closely follows events in Nigeria.

For more than 40 years the Nigerian people have struggled for their human rights, a clean environment, and against the military dictatorships and the oil companies that have supported them. Only a few weeks ago youths from the fourth largest ethnic group in Nigeria, the Ijaw, launched protests demanding a halt to oil operations and fair compensation for environmental pollution that led to a violent repression by the military government. Up to 240 people have allegedly been killed and entire villages were razed.

In the past those who have denounced the environmental devastation of the Niger Delta and demanded respect for their right to clean air and water have been harassed by the government and found their lives threatened. The hanging of Ken Saro-Wiwa and the other Ogonis in 1995 shows the price that activists in Nigeria pay for defending their environment against the oil business.

To date, Shell, Chevron and other oil companies operating in Nigeria have taken no substantive step to address the demands of the Nigerian people. Massive investment and ambitious industrial projects that ignore the interests of local communities build a weak and doomed foundation for democracy and development. Unless Shell agrees to consult with local communities and respects their environmental and human rights in its operations, its $8.5bn plan will only fuel more violence and devastation in the Niger Delta.

**Vincenzo Franco,**
**international policy fellow,**
**Friends of the Earth,**
**1025 Vermont Ave NW,**
**Suite 300,**
**Washington, DC 20005,**
**US**

## The smart move that would increase interest in DVDs

*From Mr Joerg Boese.*

Sir, With reference to the interview with Warren Lieberfarb, president of Warner Home Video (February 8): the digital video disc (DVD) is a very interesting alternative to video, but there is one significant obstacle to a real breakthrough, which is regional coding and selection.

Most VCRs these days are available in multi-standard. This means that, for a modest surcharge of maybe $50, the VCR can play all tapes, regardless of whether they have been purchased in Europe, the US or Asia.

A DVD sold in the US has so-called regional coding 1 and cannot be played on a player bought in Europe, which has regional coding 2. This limits spontaneous purchases for busy travellers. Also, the European market gets much older DVDs that either flopped on the big screen or have been available on video for a long time. Thus, most stores in Europe carry a pathetic selection of DVDs compared to the selection found in US stores, and offer video tapes instead.

I think the secret for success of the DVD will be volume and selections being up to date with the current film scene. The current regional coding does not make sense, as the price for DVDs is about the same on all markets. Plus, any moderately gifted service technician can modify a European DVD player to play other DVDs as well, but it is an additional nuisance to have this done and – as an opportunity for added revenue – you are charged between $150 and $300, which is almost half the price of the player.

Sooner or later this artificial obstacle will be overcome anyway. In order to increase interest in and market penetration of the DVD, it would be a lot smarter to give it up today.

**Joerg Boese,**
**Seekampstrasse 14,**
**28309 Bremen,**
**Germany**

## Condemnations spoke for themselves

*From Mr Peter Stephens.*

Sir, Emma Bonino, the European commissioner for fisheries, consumer policy and the EC Humanitarian Office, would seem to be peculiarly ill-equipped to comment on the need or prospects for defence and military union (February 3).

DMU, like economic and monetary union, might be a sensible step once there is evidence of a common foreign and defence policy in Europe. It may be remembered that Tony Blair and Lionel Jospin, the UK and French prime ministers, met in St Malo in the autumn and declared, among much mutual back-slapping, that they intended to have a common foreign policy in future. Within days Britain and the US were bombing Baghdad, and who roundly condemned the British? *Res ipsa loquitur.*

**Peter Stephens,**
**62 Cranmer Court,**
**London SW3 3WH, UK**

**Number One Southwark Bridge, London SE1 9HL**

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PERSONAL VIEW HAROLD McGRAW III

# Privacy on the line

**Providers of electronic information face a stark choice: self-regulate or be regulated**

Listen to any discussion of the economic potential of the internet, and the numbers start flying. Billions. Trillions. It's enough to make any chief executive's head spin. But dizzying as the numbers may be, the fact is that they all point in the same direction: electronic commerce, which totalled about $10bn in 1998, will reach by sound estimates more than $320bn in the US by 2002 and four times that amount globally.

Change is coming and without doubt it is mostly beneficial. But any growth that swift and steep is destined to transform the economic landscape, including the regulatory front. One transformation is the pressure building on the private sector to step up its self-regulatory efforts on the issue of online privacy. That pressure is building in Europe, in the United States, and throughout the global economy.

US companies, my own and others, have enjoyed a significant competitive advantage in e-commerce business over the rest of the world, thanks in large part to an accommodating regulatory approach by the US government. This is particularly true when it comes to issues concerning online privacy, where US organisations have been allowed to self-regulate privacy practices - an approach that is business-and-innovation friendly and that has given all of us an important edge.

This self-regulatory edge, however, could soon be in jeopardy – along with those stratospheric forecasts of e-commerce growth – unless those of us in the private sector manage to convince more of our corporate peers to adopt privacy policies.

This is true for any business that collects personal data on a web site for any reason. It does not matter if it is for customer service purposes, for registration, to conduct a sweepstake, or to sell cars, books, computers or groceries. If a company asks online customers for birthdates, credit card information – even the number of pets in a household – it needs to post and implement an effective privacy policy. And there are several reasons why companies need to do it now.

First, customers care about personal privacy. A recent survey found that 60 per cent of US respondents listed privacy issues as the major reason they were uncomfortable doing business online. Indeed, two out of three said they would leave a web site if they were asked to provide personal information. Until consumers feel their privacy is secure, they are not going to do business online, which puts a question mark alongside the enormous economic potential of the internet.

**Until consumers feel their privacy is secure, they are not going to conduct business online**

Second, governments are manifesting growing concerns about the invasion of online privacy. A report released by the US Federal Trade Commission this past summer found that less than 14 per cent of the 1,400 web sites surveyed provided any kind of notice with respect to private information. When asked to give a grade to industry's privacy protections so far, Robert Pitofsky, the FTC chairman, gave it "incomplete", saying "the final grade will not be in until we know that a large number of firms are in this tent with some excellent principles..."

The Commerce Department is also set to release the first annual report of the electronic commerce working group, which points out that while the US has come a long way, more companies need to get involved and adopt privacy policies soon. The FTC seems to be signalling that it is willing to continue supporting self-regulation – for now. But industry must significantly step up its self-regulating efforts.

Online privacy has also become an issue in the halls of the US Congress. Before adjourning in 1998, Congress passed a children's online privacy bill; 80 other privacy bills were pending. You can bet that more comprehensive legislation will come unless industry proves itself responsible.

Pressure to act on online privacy is not limited to the US Government. Last October, the European Union implemented a strict new privacy directive making it critical for US negotiators to prove that their self-regulatory approach provides "adequate" privacy protection for EU citizens when data is being transferred to American companies. The electronic marketplace may be global, but different policies in different countries can in effect constitute an electronic curtain constraining e-commerce.

The bottom line is that need to explain exactly what information they are collecting online and how they are planning to use it. They must also provide people with an opportunity to review the information, and opt-out if they wish. Our company's experience has shown that once people understand what you are doing (or not doing) with personal information, their comfort factor rises. Many others have found the same. The average consumer opt-out rate when given a choice is less than five per cent.

In a world where competitors are only one click of a cursor away, a sound privacy policy is not only beneficial to customers, it is good for business. If companies fail to grasp this, they risk not only alienating customers, but also inviting cumbersome government regulations which could curtailing the exchange of electronic information between overseas markets. If they develop and implement strong privacy policies, they give customers and legislators real reason to trust the. And they will unlock the trillion-dollar potential of e-commerce.

*The author is is president and chief executive officer of The McGraw-Hill Companies*

FT INTERVIEW DOMINIQUE STRAUSS-KAHN

# Mr Euro-zone

**France's finance minister tells Robert Graham he wants to bridge the gap between Germany, which wants target zones for currencies, and the US, which doesn't**

The informal group of finance ministers of the 11 countries that use the euro is rapidly becoming a key forum for European macroeconomic debate.

That the Euro-11 should have acquired so much importance so quickly is largely the result of the personality and drive of one man: Dominique Strauss-Kahn, the 49-year-old French finance minister. He championed the idea from the outset and used all his charm and intellectual weight to persuade his colleagues into accepting it.

"At the last session on Monday which lasted over three hours we felt it was really beginning to stake shape as an informal body," Mr Strauss-Kahn says. Indeed, the meetings have got progressively longer and now overshadow the subsequent formal gathering of Ecofin, the council of the finance ministers of the 15 European Union members.

"There was a clear need to create something more informal than Ecofin where there are as many as 100 people between ministers and officials. With the Euro-11 there are only 22 members: each minister and one adviser. This means we can have a real exchange of views."

Once France's Socialist government had overcome its reservations about the single currency, the Jospin government considered it was essential to establish some form of political counterweight to the European Central Bank. The task of selling this idea to France's partners was entrusted to Mr Strauss-Kahn.

The Kohl administration in Germany was at first extremely reluctant to endorse anything that smacked of interfering with the future ECB's independence. "The idea really got off the ground when Theo Waigel [then German finance minister] agreed to the project in October 1997 at the Franco-German finance minister's meeting in Munster," Mr Strauss-Kahn recalls.

He plays downs suggestions that the French impetus drive to create the Euro-11 was merely a means of France ensuring it could exercise the maximum political influence in euro-zone. "The Germans were taken up with their elections; the British had decided to stay out of the euro and the Italians were also taken up with their own economic management. So it was largely out of these circumstances the ideas came from France."

So long as Britain remains an "out", there is likely to be a degree of tension on the relationship between the discussions held in secret by the Euro-11 and those of Ecofin. Britain, along Denmark and Sweden, the other "outs" are formally excluded from disussion on euro exchange rate policy and issues such as the external representation of the Euro-11 in forums such as the Group of Seven major industrial nations.

"Where matters affect the 11, there is a need for Euroland to be represented by a single voice," he says. Such a voice must articulate Europe's new international responsibilities, acquired by virtue of having a single monetary policy and coordinated arrangements for economic policy. "Europe has become a world macroeconomic player on an equal footing with the US," he reminded the Euro-11 this week.

Despite the advent of a leftist government in Germany embracing French ideas for promoting jobs and growth, Bonn and Paris have yet to synchronise policies towards the euro. Mr Strauss-Kahn has carefully avoided trampling on the ECB's monetary policy domain, while Oskar Lafontaine, his loquacious German colleague, has not hesitated to call for rate cuts. Mr Lafontaine has also been an outspoken advocate of setting "target zones" for exchange rates against the dollar, which is anathema to the US.

In these circumstances, Mr Strauss-Kahn, a fluent German speaker and anxious to present a common front with Bonn, has assumed the task of trying to tame Mr Lafontaine: "The idea of target zones is a good one. But this isn't something we can put in place at the moment. We are, however,in a position to mediate in order to create a consensus within the G7."

Mr Strauss-Kahn wants to create a common position on the euro's international role before an informal meeting of G7 finance ministers in Bonn on February 20. "The successful launch of the euro has put us in a position to launch an initiative whereas a year and a half ago we would not have been taken seriously by the US.

"In the coming months we must make tangible progress in reforming the international and financial structure," he warns.

He is worried about the "benign neglect" of the American authorites towards the dollar and the growing US trade deficit. On the latter, he has sought common cause with the Japanese. "It is quite normal that Europe and Japan who have commercial surpluses should be concerned by the growing US deficit," he says. "Either we are in a situation where Europe, Japan and the US are unable to cooperate, and there is no room for a serious discussion of current account imbalances; or – as I hope – we can benefit from a system of enhanced co-operation."

In part, this "system of enhanced co-operation" seems a polite way of saying Mr Strauss-Kahn wants the US to pay more attention to the opinions of the Euro-11 in international financial management. He notes of the US: "In a crisis the US tries to lead from in front and does not give sufficient weight to others. I do not dispute US leadership but this does not stop us from seeking to play a bigger role and wanting closer co-operation."

He rejects suggestions that France harbours plans for the euro to be a weapon to counter US hegemony. "We want to make it clear the euro is not being built up as a currency in opposition to the dollar or against US [hegemony]. Rather we feel the existence of a strong credible euro should strengthen the international financial system."

Mr Strauss-Kahn has few illusions about the difficulties in persuading the US to let Europe play a more visible role on the world financial stage. "There is a tendency in the US to mistrust France and more so Socialists. Nevertheless we hope this view is slowly disappearing."

He feels Robert Rubin, US Treasury secretary, is ready to listen a bit more even if "he doesn't always agree". Mr Strauss-Kahn cites the case of French moves to reform the international financial architecture. "Last spring when we proposed that hedge funds needed to be controlled, the US response was that by their nature they were uncontrollable... Today we are discussing technical details of how these hedge funds can be monitored."

The French finance minister is here also coordinating with his British counterpart, Gordon Brown, who last autumn put forward separate proposals for reforming the global financial architecture. "Britain is the European country closest to the US and can play a part in helping this dialogue."

On the more general issue of macro-economic management, Mr Strauss-Kahn seems somewhat envious of the policy mix in the US and of the sustained growth it has delivered. Though the French economy grew 3 per cent last year – helped by the government moves to boost domestic demand – it has begun to lose momentum. "Growth is going to be weaker than I would have liked in the first half," he says, implicitly admitting this year's 2.7 per cent growth is too optimistic.

To boost a recovery in the latter part of the year the government is clearly willing to provide a fiscal stimulus. The degree to which such a measure is coordinated with the Euro-11 may be the first real test for the euro-zone and its relations with the ECB.

Strauss-Kahn: 'The idea of target zones is a good one' Reuters

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FINANCIAL TIMES

FRIDAY FEBRUARY 12 1999



# THE LEX COLUMN

## Moody blues

It is small comfort to investors who gave Royal Dutch/Shell the benefit of the doubt on restructuring in 1998, but the worst is probably over. Yesterday's fourth quarter results – which saw a 53 per cent fall in pre-exceptional earnings – show Shell has not yet kicked its habit of dumping nasty surprises on its beleaguered shareholders.

Given how low expectations had sunk, this takes some doing. However, Shell's arrogance is fading. The admission by Mark Moody-Stuart, chairman, that he will probably be fired without improvements this year is refreshingly frank. Investors will not need reminding.

The $4.2bn charges draw a clear line in the sand. Implementing this restructuring, announced in December, must be the priority. It involves finding cost savings of $2.5bn by 2001, the sale of 40 per cent of the chemicals division and tight constraints on capital expenditure. Selling chemicals assets in the current market will be hard without accepting fire-sale prices, and not all may find a home in 1999.

But a modicum of management grit should secure most of the savings. Given that as much as $3bn-$4bn of cuts are available from British Petroleum's merger with Amoco, standing still is not an option. With Shell's shares yielding 4½ per cent and its dividend more than twice covered by cashflow, the underperformance should be over soon.

### EDS/MCI WorldCom

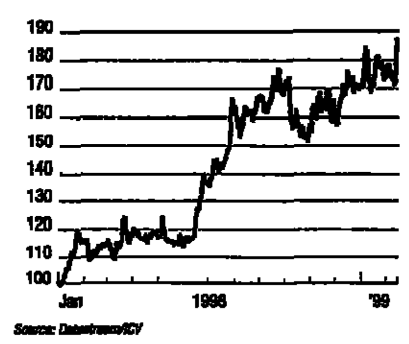
Put Bernie Ebbers and Dick Brown into a room together and a deal was bound to follow. Both the MCI WorldCom boss – with 68 acquisitions to his credit – and the new chairman of Electronic Data Systems know how to create a buzz by announcing grand-sounding transactions. Having said that, this alliance was under negotiation before Mr Brown took over at EDS last month. And it really stacks up.

At its heart is a huge cross-outsourcing agreement. EDS, the world's largest computer services group after IBM, will take over MCI WorldCom's computer operations. It is also buying Systemhouse, MCI's small computer services unit, for $1.65bn in cash, or one times annual revenues.

In return, MCI WorldCom will get to run EDS's global voice and data network, which as a stand-alone operation would amount to a mid-sized telecommunications company. The two groups are promising each other revenues of $7bn or so over the next decade.

At one level this is simply a case of concentrating on core businesses. Despite the much vaunted convergence of telecoms and computing, MCI never made a success of Systemhouse. Meanwhile, EDS found that the global network it built up on behalf of customers has become outdated and expensive to upgrade. More ominously, the two will from now on jointly market their services to multinationals. Rivals that do not find partners of their own risk being frozen out of the big contracts.

**BT**
Share price relative to the FTSE All-Share Index




Source: Datastream/ICV

### British Telecommunications

British Telecommunications' transformation in investors' eyes is a wonder to behold. Gone are the days when it was viewed as a staid utility that seemed destined to trot out £3bn ($5bn) in pre-tax profits year in, year out. Now the stock is infected with internet fever. Yesterday's 11 per cent rise in the share price was sparked by news that internet traffic now accounts for 15 per cent of its local calls – double its share a year ago.

The market is excited by the fact that BT's core local business has growth in it after all. Not only are the price cuts mandated by its regulator no longer as savage as they were but the internet's popularity is driving inland call growth. Volumes in the last quarter were about 12 per cent up on a year before. And with the internet exploding, there is plenty of scope for this trend to continue or even accelerate. The financial prospects are not quite as rosy as the traffic volumes suggest because, in most cases, BT acts as a low-margin wholesaler. But the net effect is that the core UK business should be able to enjoy medium-term profit growth of about 10 per cent. Add in the contribution from BT's international businesses, which will soon be swinging from loss into profit, and earnings growth could be more like 20 per cent.

Does that make BT cheap? In absolute terms, a current year price/earnings ratio of 25-30 is hard to justify. But relative to the market at large, let alone internet stocks, it is far from crazy.

### Barclays

After the rollercoaster years of Martin Taylor's visionary leadership, Barclays has opted for an experienced hand on the tiller. Michael O'Neill may not be a household name in the UK – or even in the US where he has made his career to date – but on paper at least, he has the right skills for the job. His experience of two US banking mergers will be useful if European consolidation accelerates. His cost-cutting instincts should help in curbing Barclays' mushrooming cost line.

Mr O'Neill's approach is likely to be evolutionary rather than revolutionary. He has already served notice that he has no plans to reopen the debate that provoked his predecessor's departure, namely whether Barclays should split into a corporate and retail bank. Indeed, he has stressed his priority is growth, not structural change.

But if this is to be convincing, Mr O'Neill will have to show he can turn round Barclays Capital, the investment banking division. Excluding trading losses in emerging markets, it broke even last year. Given regulatory capital of £2.5bn ($4.1bn) and a post-tax cost of capital of 10 per cent, it destroyed value to the tune of £250m. Unless Mr O'Neill can find a remedy for the division's woes, there will be little point in keeping it. On a break-up basis, Barclays' commercial banking business is worth about £15 a share. This leaves Barclays Capital in at less than nothing.

# Beijing warns US over Taiwan defence system

By James Kynge
in Beijing

China warned the US yesterday that the deployment of a US-backed missile defence system for Taiwan would harm the security of the Asia-Pacific region and damage bilateral relations.

The warning was a reaction to growing pressures to include Taiwan in a mooted US theatre missile defence (TMD) system.

The pressures have intensified since the disclosure in the Financial Times this week of a Pentagon report indicating that China has sharply increased the number of missiles aimed at the island across the strait from south-east China.

Zhang Qiyue, a foreign ministry spokesman – referring to the Sino-US accords under which the US agreed to sell only defensive weapons to Taipei – said: "Including Taiwan in any form in the TMD system would constitute a violation of international law and the three joint communiqués, and would lay obstacles to the development and improvement of bilateral relations.

"It would also be counter-productive to peace and stability in Taiwan and the Asia-Pacific region," Ms Zhang told reporters.

The Clinton administration said last month it would pour more resources into research and deployment of missile defence systems, including theatre defence systems, that could potentially cover Taiwan.

The reported missile build-up in China is likely to add to pressure from the US Congress and within Taiwan to include the island in such a defence system.

Beijing's warning comes as China prepares for a scheduled visit by Zhu Rongji, the premier, to Washington in early April.

His visit was already being seen as a test of whether Washington and Beijing could avert a deterioration in their relationship caused by friction over China's large trade surplus, its recent crackdown on dissidents and worries that Beijing has lost interest in working towards membership of the World Trade Organisation in the medium term.

The publication of a Congressional report on Chinese acquisition of sensitive US technology, which is due next month, is also likely to add to tension.

But the issue of possibly including Taiwan under a US missile defence umbrella could eclipse all these concerns, diplomats said.

China maintains an unequivocal threat to attack any foreign country that tries to win independence by whatever means for Taiwan.

Researchers at government think-tanks in Beijing said they would regard a US-backed TMD shield for Japan, South Korea and Taiwan as a sign that a policy of cold war containment against China had arrived.

Taiwan's defence ministry said on Thursday that it was aware of a missile build-up across the strait, and that Beijing's past actions demonstrated the urgent need to strengthen the island's anti-missile defences.

Flawed security, Page 7

# Van Miert voices concern over BAe's Marconi deal

By Neil Buckley in Brussels, Alan Cane in London and agencies

British Aerospace's £7bn ($11.5bn) purchase of GEC's Marconi defence division could provoke competition concerns, the European Union's competition commissioner warned last night.

In his first public comments on the deal, which was announced last month, Karel Van Miert said it "could trigger some problems with regard to competition policy". He added that problems could include the impact of the deal on suppliers, and the company's civilian activities.

The deal has been seen as something of a test case for future defence consolidation in Europe, with the potential for conflict between the European Commission, the EU executive, and national governments over who has responsibility for investigating the competition impact.

In theory, EU states are responsible for looking at defence elements of deals, and the Commission for civilian elements, but there is a large category of dual-use goods over which both sides may claim responsibility.

In the margins of a speech at Belgium's Catholic University of Louvain-la-Neuve, Mr Van Miert said the Commission was not against defence consolidation in principle. But concluding that there would be no problems with the BAe-Marconi deal would be "premature", he added.

Analysts last night suggested his remark might be a warning shot to the UK competition authorities that they should not expect simply to wave through the defence deal. BAe and Marconi were not immediately available for comment.

Mr Van Miert added that France's Total and PetroFina of Belgium had complied with the Commission's request to re-notify their planned merger, which would create Europe's third-largest oil group, and provide more information on certain activities such as oil storage.

He said the Commission had no reason "in principle" to oppose the deal, but might still demand some concessions on certain points.

Mr van Miert also indicated that the proposed $10bn joint venture between British Telecommunications and AT&T of the US could get the green light after the two telecoms companies had proposed some divestments in the UK market.

"That was all that was left in relation to the concerns we had. That means it is likely to be cleared. That is what normally should happen" he told reporters.

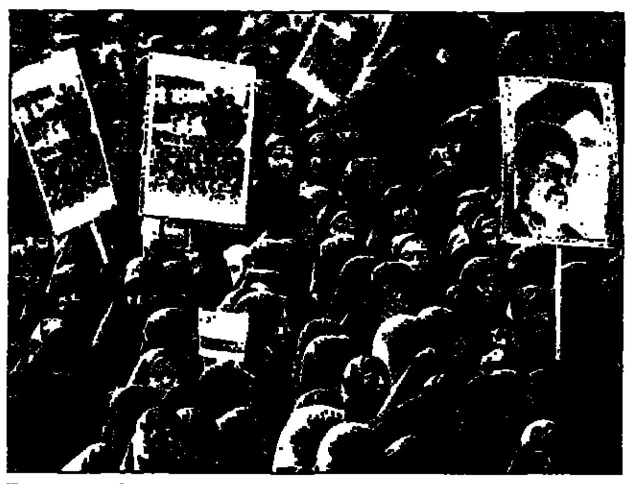
Late last year he launched an in-depth investigation into the deal, which encompasses the setting up of a new global data network, saying it could create or strengthen a dominant market position in the UK.

The BT/AT&T deal will still require approval from the US regulatory authorities.

Sir Peter Bonfield, BT chief executive, said he had seen nothing to suggest that there were significant problems.

## CONTENTS





Thousands of Iranians participate in celebrations in Tehran marking the 20th anniversary of the Iranian revolution this week. Report, Page 4



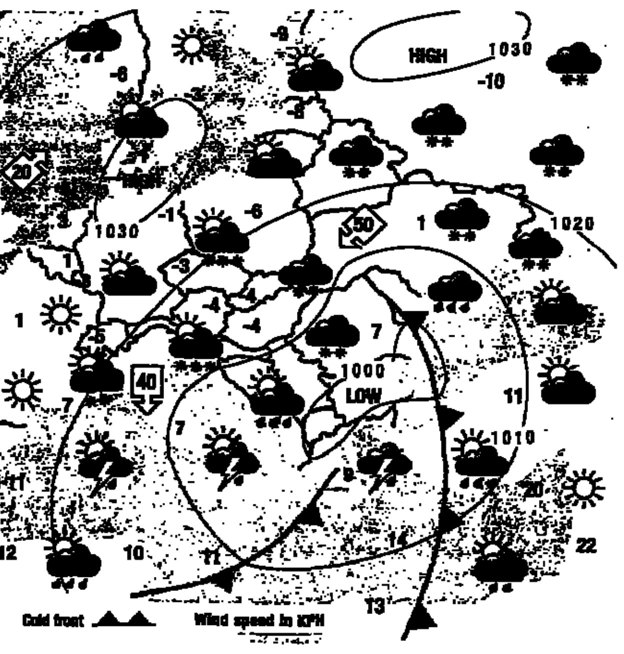
## FT WEATHER GUIDE

### Europe today

The western coast of Norway will be cloudy and wet with sleet and snow in the north. Elsewhere in Scandinavia, it will be mainly dry with sunny spells, but there will be snow showers in the north. Eastern Europe and the Balkans will have further snow — heavy in the Balkans. Most of western Europe will be dry, but there will be further snow over the Alps. Spain and Portugal will be mainly dry and sunny, but the remainder of the Mediterranean will be showery with thunderstorms in many parts.

### Five-day forecast

Western Europe will be mainly dry until Sunday when rain will mark the return of colder conditions for the start of next week. Scandinavia and eastern Europe will have spells of snow, with further snow over the Alps easing before returning again next week. The Mediterranean will continue to be showery.




Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

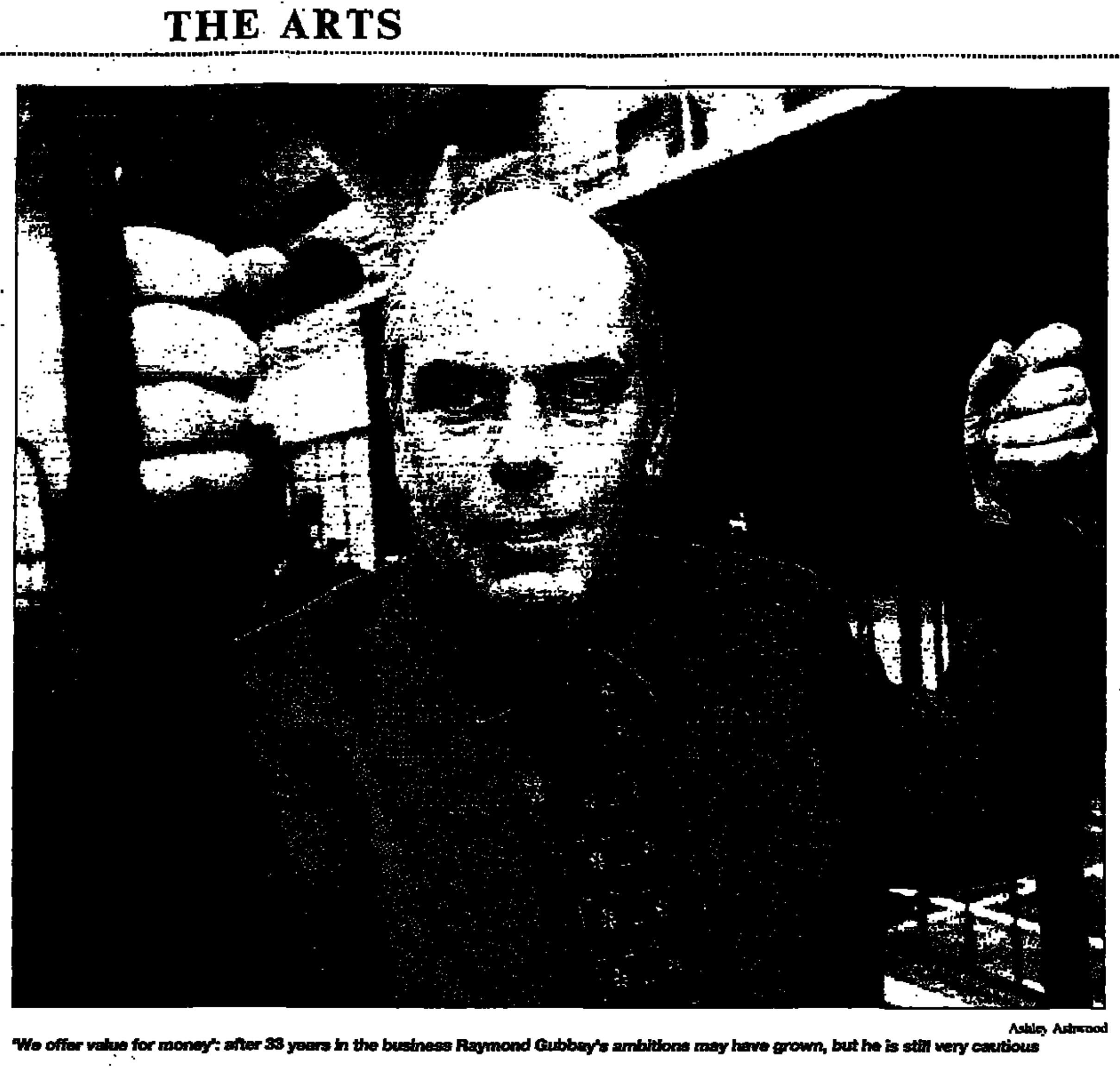
**TODAY'S TEMPERATURES**

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | Fair | 26 |
| Accra | Fair | 31 |
| Algiers | Fair | 12 |
| Amsterdam | Fair | 3 |
| Athens | Shower | 9 |
| Atlanta | Thunder | 22 |
| B. Aires | Cloudy | 32 |
| B.ham | Fair | 7 |
| Bangkok | Sun | 33 |
| Barcelona | Sun | 11 |
| Beijing | Sun | 4 |
| Belfast | Rain | 8 |
| Belgrade | Sleet | 2 |
| Berlin | Cloudy | -1 |
| Bermuda | Fair | 21 |
| Bogota | Cloudy | 20 |
| Bombay | Sun | 30 |
| Brussels | Sun | 1 |
| Budapest | Snow | -4 |
| C.hagen | Sun | 1 |
| Cairo | Sun | 23 |
| Caracas | Fair | 29 |
| Cardiff | Fair | 8 |
| Casablanca | Fair | 16 |
| Chicago | Cloudy | -2 |
| Cologne | Sun | 0 |
| Dakar | Sun | 24 |
| Dallas | Sun | 16 |
| Delhi | Sun | 25 |
| Dubai | Fair | 27 |
| Dublin | Drizzle | 9 |
| Dubrovnik | Shower | 7 |
| Edinburgh | Shower | 7 |
| Faro | Sun | 14 |
| Frankfurt | Sun | 0 |
| Geneva | Fair | -5 |
| Gibraltar | Sun | 16 |
| Glasgow | Rain | 8 |
| Hamburg | Sun | -1 |
| Helsinki | Fair | -9 |
| Hong Kong | Fair | 19 |
| Honolulu | Sun | 25 |
| Istanbul | Shower | 13 |
| Jakarta | Thunder | 31 |
| Jersey | Fair | 9 |
| Johannesburg | Thunder | 27 |
| Karachi | Sun | 29 |
| Kuwait | Cloudy | 18 |
| L. Angeles | Sun | 22 |
| Las Palmas | Fair | 20 |
| Lima | Cloudy | 27 |
| Lisbon | Sun | 11 |
| London | Cloudy | 7 |
| Lux.bourg | Fair | -3 |
| Lyon | Fair | -3 |
| Madeira | Fair | 18 |
| Madrid | Fair | 7 |
| Majorca | Sun | 11 |
| Malta | Thunder | 11 |
| Manchester | Cloudy | 6 |
| Manila | Fair | 32 |
| Melbourne | Shower | 27 |
| Mexico City | Fair | 25 |
| Miami | Fair | 26 |
| Milan | Sun | 5 |
| Montreal | Rain | 12 |
| Moscow | Snow | -10 |
| Munich | Snow | -5 |
| Nairobi | Fair | 31 |
| Naples | Thunder | 7 |
| Nassau | Fair | 26 |
| New York | Shower | 16 |
| Nice | Sun | 11 |
| Nicosia | Shower | 20 |
| Oslo | Sun | -6 |
| Paris | Sun | 1 |
| Perth | Sun | 33 |
| Prague | Snow | -5 |
| Rangoon | Sun | 34 |
| Reykjavik | Sleet | 4 |
| Rio | Thunder | 28 |
| Rome | Thunder | 7 |
| S. Frsco | Fair | 16 |
| Seoul | Fair | -3 |
| Singapore | Thunder | 31 |
| Stockholm | Sun | -8 |
| Strasbourg | Fair | -3 |
| Sydney | Shower | 25 |
| Tangier | Fair | 15 |
| Tel Aviv | Sun | 22 |
| Tokyo | Cloudy | 8 |
| Toronto | Rain | 8 |
| Vancouver | Rain | 9 |
| Venice | Sun | 5 |
| Vienna | Snow | -4 |
| Warsaw | Snow | -6 |
| Washington | Shower | 19 |
| Wellington | Fair | 21 |
| Winnipeg | Sun | -11 |
| Zurich | Cloudy | -6 |

THE ARTS

# Impresario set to raise the Titanic

... after he's ordered thousands of red roses, that is. **Antony Thorncroft** meets classical music's most attentive mogul



Ashley Ashwood

*'We offer value for money': after 33 years in the business Raymond Gubbay's ambitions may have grown, but he is still very cautious*

Raymond Gubbay, classical music's most ubiquitous impresario, is gearing himself up for a busy week. On Thursday perhaps his biggest ever investment, a £2m production of *Tosca*, opens at London's Royal Albert Hall. But before then he must remember to order thousands of red roses to give to women attending the 10 Valentine's day concerts that he is presenting across the country tomorrow. Thursday night offers glamour and potentially global profits, but Gubbay has built a 33-year career fussing over the small details.

This year he will be promoting a record 275 events – from routine evenings of Viennese waltzes at provincial town halls to a series of classical spectaculars at the Albert Hall which, with lasers, fireworks, military bands, and the inevitable *1812* finale, have become his trademark.

Gubbay first went into partnership with the Royal Albert Hall in 1996 with a production of *La Bohème*. At first, critics were dismissive of his attempts to promote arena opera as a spectacle for the masses.

But last year David Freeman's *Madam Butterfly* started to win some critics round. It went on to tour the country, and Asia, and will reappear at the Albert Hall next year. Freeman is also directing *Tosca* and after 12 performances in London it, too, will tour Britain. Bookings are on target to exceed 80 per cent of capacity, with up to 50,000 people – many of them opera virgins – paying as much as £35 to see

**'Our business involves having a heart. I like to get out and visit the rehearsals'**

either Susan Bullock or Susanne Murphy – Gubbay favours double casting – tumble to their death.

It is not just the operatic spectaculars that are lifting Gubbay into a higher gear. In May he is attempting to raise the Titanic, at least musically, by inviting James Horner, the composer of the film's music score, to conduct the Philharmonia Orchestra and many of the musicians used on the soundtrack in two concerts at the Albert Hall.

Gubbay also admits to having acquired a taste for the bright lights of the West End. At Christmas he got together with the D'Oyly Carte company to bring the *Pirates of Penzance* to Shaftesbury Avenue. As a result, they discovered that there is a market for Gilbert and Sullivan and now *HMS Pinafore* will get the Gubbay treatment. This is a 50-50 deal with the D'Oyly Carte, splitting costs and profits, the kind that Gubbay likes best.

But if the ambitions grow greater, *he is still* very cautious. He had the chance to become a proper capitalist last year when he got together with Harvey Goldsmith, who is the Gubbay of pop promotion, to take over Tring, the ailing record company. The aim was to add a video and record capacity to their live entertainment interests, but the deal fell apart – much to Gubbay's relief. "There is no room for sentiment in running a public company and our business involves having a heart. I like to get out and visit the musicians at rehearsals. If I ran a public company I'd be chained to a desk."

With almost 8,000 events in his back catalogue, Gubbay has perfected the suck-it-and-see approach. Not every concert makes a profit, but he has learned how quickly to adapt the formula. At present, interest is waning in the traditional classical concert – overture, concerto, symphony – and these are being curtailed. The idea of new year's day concerts – stolen from Vienna – also ran out of steam. But anything sentimental, sensational or gimmicky still attracts an audience: teddy bears are encouraged or supplied at the children's concerts, and Christmas finds Gubbay presenting about 80 well-attended events. "We are last into a recession and last out," he admits, and although there was a dip in bookings last autumn, by tweaking the advertising and slightly changing the formula, all but 50 events a year return a profit.

Despite putting on his first concert at the creative high point of the Beatles' career in 1966 – Gilbert and Sullivan in Bury St Edmunds on the day of the Aberfan disaster – Raymond Gubbay has never been tempted by pop music. "I've never got to grips with it. You are looking at the top artists and big risks. We pay our people a fixed fee." The whole Gubbay enterprise, which turns over £12m a year, is based on caution and confidence. "We offer value for money. The public are the best critics."

In his turn, Gubbay is perhaps the most trenchant critic of the big subsidised art companies such as Covent Garden. He does not object to subsidy as such, just to organisations being badly managed. He would love to put on shows at the new Royal Opera House, but knows that the overheads there make showing a profit impossible. He is more interested in the new Lowry Centre in Salford.

Gubbay shows the same circumspection when it comes to the mega-event. He leaves presenting Pavarotti to his pop rival Harvey Goldsmith, and has also withdrawn from open-air events – "the market is saturated and too dependent on the weather".

After *Tosca* comes James Horner; after Horner, the Russian National Ballet, then more Gilbert and Sullivan in the West End and another spectacular at the Albert Hall next year. Then, to keep turnover rising, add the conventional concerts, *the flamenco evenings, the* Strauss waltzes, the operatic pops. Gubbay is looking to promote 300 concerts a year, making him by far the biggest force in the musical life of the country: all based on caution, conservatism and his own cash. He has never received a penny of subsidy.

**DANCE** BIRMINGHAM ROYAL BALLET

# Where point shoes and trainers meet

Alastair Muir

**Historical romp: Joseph Cipolla and Rachel Peppin in 'The Prospect Before Us'**

Birmingham Royal Ballet ends its all-too-short season at Sadler's Wells with a triple bill that runs until the end of this week. About two of the pieces – Ninette de Valois' *The Prospect Before Us* and David Bintley's *The Protecting Veil* – I reported from Birmingham last June when they were first seen in the company's celebration of Dame Ninette's centenary. The novelty this week is BRB's acquisition of Twyla Tharp's *In the Upper Room*, an explosion of dancing that is quick-witted and even quicker-footed: Tharp on top form.

The effect of the programme is almost schizophrenic in its changes of tempo, of expectations from both dancers and public. *Prospect* is de Valois at her most typical in her feeling for historical period – London in the late years of the 18th century and the shenanigans attendant upon rival managers and burning theatres – and in her ability to make that period seem alive, and lively. It is a romp in which nothing is serious, save de Valois' sense of the past, but it is well made, stuffed with clever caricatures of dancers and dance-manners, and it enshrines one superlative comic role: Mr O'Reilly, manager of the Pantheon Theatre and a tipsy opportunist.

The ballet was created in the early summer of 1940, just as the phoney war ended, with Robert Helpmann, sublime and wicked comedian, as Mr O'Reilly. In Jean Bedells' loving restaging (the piece has not been danced for nearly 50 years) the comedy is still sunny. The general dances, those wonderfully dainty ensembles are very well done. I greatly admire Joseph Cipolla and David Justin in their preening incarnations of *Didelot* and *Vestris*, and Rachel Peppin is nearly as fetching as the beautiful, witty Pamela May who was the original Mlle Theodore. To Michael O'Hare falls the fearful challenge of Mr O'Reilly. He is funny as he should be in the final drunken scene and the role is alive. He could elsewhere afford to be naughtier: it was impossible to take one's eyes off Helpmann in the role as wickedness piled on wickedness and we ached with laughter.

About *The Protecting Veil* I can but repeat my first opinions on these pages. The eponymous score is John Tavener's contemplation, set for 'cello and strings, on the role of the Blessed Virgin in Orthodox worship, and I think its maunderings acutely tiresome. Bintley finds images that generally surmount its sanctimonious droning, and he is devotedly served by the women in his cast who incarnate various aspects of the Blessed Virgin. Lighting by Mark Jonathan is excellent, the setting (Ruari Murchison) no less so, and the oblique homage to Dame Ninette is sincere. By the end, and it was a long time a-coming, I loathed the sound of the 'cello (albeit admirably played by James Potter) and wondered why the Veil could not protect us from being bored to sobs.

No such problem with Twyla Tharp's *In The Upper Room*, which is of the world worldly. Here is Tharp at her most cunning and prodigal in step. The music is by Philip Glass. Its repetitions and fragmentations, its shifting emphases and inexorable progress are interpreted by Tharp in bravura fashion as a confrontation between academic and demotic movement, between point shoes and trainers, between the rule of balletic law and rule of popular dance. Out of the darkness, groups of dancers make assertions, counter-claims, effect compromises. Changes in costuming – grey striped outfits yield to flame-red balletic dress; trainers are swapped for dance-shoes – are the outward and visible signs of an inner shift in emphasis or alliance.

The result is compulsive to watch and, I venture, to dance, and the BRB artists give themselves to their tasks with whole-hearted, whole-bodied enthusiasm. Sometimes – rarely – the energy is not quite focused. In the main the movement is bright, forceful. I greatly admired the men (like Ninette de Valois, Twyla Tharp writes admirably for men) among whom Sergiu Pobereznic – his classic purity cutting through the movement – Ander Zebala, David Justin and Robert Parker looked especially sure. But the entire BRB cast gave of their best and the piece roared triumphantly on its way.

**Clement Crisp**

**Powergen is principal sponsor for the Birmingham Royal Ballet.**

**NEW YORK THEATRE**

# Miller back in favour

Early in the Goodman Theater's stirring new production of Arthur Miller's *Death of a Salesman*, the protagonist, Willy Loman (Brian Dennehy), throws his right arm around Biff (Kevin Anderson), his favourite son. Immediately, Willy's other child, Happy (Ted Koch), inserts himself under the other arm, and angles for attention.

This sad, familiar image announces not only the staging's operative concept – in which an exploration of the father-son relationship takes precedence over the standard individual-against-society approach – but also points to Miller's place in the American theatrical pantheon. For in his native land the playwright has long been regarded as inferior to his contemporary Tennessee Williams, whose postwar private lyricism has maintained its hold more tenaciously, than has Miller's more overt political preoccupations.

Although the success-obsessed Willy Loman's story is arguably the best-known play of the 20th century, its author is viewed by many American critics as a hectoring artefact of an era of social realism.

The Goodman production, which has just opened on Broadway, challenges the prevailing view by reminding us of Miller's gift for a more personal poetry. The director Robert Falls accomplishes this in at least two ways: by casting Anderson, a physically impressive, emotionally sensitive artist, to play Biff, he makes that character's struggle for self-realisation as important as his father's yearning for worldly validation; and by placing his actors on a brilliantly flexible turntable set, Falls invokes the work's shifting moods in appropriate dreamlike fashion.

Despite its unconventional psychological focus, what is so startlingly right about this production is how solid and simple it is. Many of its most effective scenes are enacted on a stage nearly bereft of furniture. The first-act moment when Willy's wife, Linda (Elizabeth Franz), asks Biff why he has returned home to New York after so many years spent knocking about the country, takes place around a rudimentary table and chairs. The actors' voices are similarly unembellished.

**The production reminds us of Miller's gift for a more personal poetry**

Both in conception and execution, Dennehy's performance as Willy is much grander than his colleagues' interpretations. The actor understands that this 60-year-old man, who is being shunted aside after 34 years of service to the company, is equal parts aspiration and desperation, but he has a tendency to deliver his big speeches to the audience with annoying bombast. While this tactic underscores Willy's cursed remove from his family and friends, it subverts the rest of the ensemble, who are working hard to sustain a mood of almost unbearable intimacy.

In fairness to Dennehy, it must be said that Willy has always seemed less flesh-and-blood than the rest of his family. Although critics may no longer debate whether a play about a lowly salesman qualifies as high tragedy, they still question whether Miller has not draped his title character with too Everyman-ish a mantle. It is tempting to wonder whether Willy's proud refusal to accept the extended hand of family and friends would seem quite such a portrait of thwarted majesty if he had had access to a little Prozac.

Without pharmaceuticals, however, Dennehy is condemned to play his character's unrelieved narcissism, and he does so eloquently. In his final scene, when he takes a suppliant Biff into his arms, Dennehy achieves a moment of deep forgiveness for his son while letting us know by a blank facial expression that there will be no ultimate blessing for Willy. The salesman's delusions are impregnable.

**Brendan Lemon**

**Eugene O'Neill Theater, Broadway**

INTERNATIONAL

# Arts Guide

## AMSTERDAM

**OPERA**
**Netherlands Opera, Het Muziektheater**
*Tel: 31-20-551 8911*
Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast includes Carmen Oprisanu and Martin Thompson; Feb 12, 15

## BRUSSELS

**OPERA**
**La Monnaie**
*Tel: 32-2-229 1211*
Lady Macbeth of Mtsensk: conducted by Antonio Pappano in a new staging by Stein Winge, with sets by Benoît Dugardyn and costumes by Jorge Jara; Feb 12, 16

## CARDIFF

**OPERA**
**Welsh National Opera**
*Tel: 44-1222-464 666*
Peter Grimes: by Benjamin Britten. New staging by Peter Stein, conducted by Carlo Rizzi. Cast includes John Daszak and Janice Watson; Feb 15, 20, 24

## FORT WORTH

**EXHIBITION**
**Kimbell Art Museum**
*Tel: 1-817-3328451*
*www.kimbellart.org*
Matisse and Picasso: A Gentle Rivalry. More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

## GLASGOW

**OPERA**
**Scottish Opera, Theatre Royal**
*Tel: 44-141-332 9000*
Der Rosenkavalier: by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 13

## HOUSTON

**THEATRE**
**Houston Grand Opera, Wortham Center**
*Tel: 1-713-227 2787*
*www.hgo.com*
A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds. Cast includes Frederica von Stade and Sheri Greenawald; Feb 12, 14

## LEEDS

**THEATRE**
**West Yorkshire Playhouse**
*Tel: 44-113-213 7700*
The Tempest: by Shakespeare. Jude Kelly *directs* a cast including Ian McKellen as Prospero, with designs by Robert Innes Hopkins

## LONDON

**EXHIBITIONS**
**National Gallery**
*Tel: 44-171-839 3321*
Portraits by Ingres: Images of an Epoch. 40 paintings and 50 drawings by the 19th century French painter. Includes major loans from museums in France, the US and elsewhere; to Apr 25, then touring to the US

**Royal Academy of Arts**
*Tel: 44-171-300 8000*
Monet in the 20th Century: arriving in London from Boston, this exhibition brings together late works by the founder of Impressionism. The 80 paintings on display include important public and private loans, culminating in a group of seven of the monumental water lily panels which were the triumph of his career. Also included are paintings of London and Venice; to Apr 18

## LOS ANGELES

**EXHIBITION**
**Los Angeles County Museum of Art**
*Tel: 1-213-857 6000*
Van Gogh's Van Goghs: Masterpieces from the Van Gogh Museum, Amsterdam. Display of 70 paintings on loan during the period of the Dutch Museum's renovation, transferring to LA from Washington. Ranging across the artist's career, the show includes masterpieces such as Potato Eaters (1885) and Wheatfield with Crows (1890); to May 16

## MADRID

**EXHIBITION**
**Thyssen-Bornemisza Museum**
*Tel: 34-914-203 944*
El Greco: Identity and Transformation. Focusing on the years 1560-1600, this exhibition follows the artist's early apprenticeship in Crete and Italy, in an attempt to shed light on his subsequent 'Spanish transformation'. The 80 works on display include major public and private loans; to May 16, then travelling to Rome and Athens

## MANCHESTER

**CONCERTS**
**Bridgewater Hall**
*Tel: 44-161-907 9000*
● Mikhail Pletnev: recital by the pianist of works by Chopin, Grieg and Schumann; Feb 17
● Vienna Symphony Orchestra: conducted by Vladimir Fedoseyev in works by J. Strauss, Mozart and Beethoven, with piano soloist Artur *Pizarro*; Feb 12

## MUNICH

**CONCERTS**
**Philharmonie Gasteig**
*Tel: 49-89-5481 8181*
● Klassische Philharmonie Bonn: conducted by Heribert Beissel in works by Mozart and Beethoven, with piano soloist Matthias Kirschnereit; Feb 12
● Munich Radio Orchestra: conducted by Leopold Hager in works by J. Strauss; Feb 14

**EXHIBITION**
**Haus der Kunst**
*Tel: 49-89-211270*
Angelika Kauffman (1741-1807): retrospective of works by the Swiss decorative artist, who was a founder member of London's Royal Academy. Includes paintings, drawings, prints and porcelain; to Apr 18

## NEW YORK

**DANCE**
**New York City Ballet, New York State Theater**
*Tel: 1-212-870 5570*
Celebrating Five Decades of Repertory: continuing 50th anniversary celebrations, with programmes of works from the repertory; Feb 12, 13, 14, 16, 17

**EXHIBITION**
**Guggenheim Museum**
*Tel: 1-212-423 3500*
*www.guggenheim.org*
Jim Dine: Walking Memory, 1959-1969. More than 100 works make up this survey of the American artist, including photographs, paintings and performance pieces; from Feb 12 to May 16

**OPERA**
**Metropolitan Opera, Lincoln Center**
*Tel: 1-212-362 6000*
*www.metopera.org*
Moses and Aron: by Schoenberg. *Conducted by James Levine in a* staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson; Feb 17

## PARIS

**CONCERTS**
**Salle Pleyel**
*Tel: 33-1-4561 6589*
Orchestre de Paris: conducted by Christoph von Dohnányi in works by Donatoni, Bloch and Beethoven. With cello soloist Eric Picard; Feb 17

**Théâtre des Champs Elysées**
*Tel: 33-1-4952 5050*
Orchestre National de France: conducted by Jerzy Semkow in works by Haydn, Mozart, Mendelssohn and Schubert, with clarinet soloist Alessandro Carbonare; Feb 14

**EXHIBITION**
**Musée du Louvre**
*Tel: 33-1-4020 5151*
*www.louvre.fr*
Eternal monuments of Ramses II: New Theban excavations. Display of the latest archaeological findings from the Egyptian pharaoh's tomb; to May 10

**OPERA**
**Théâtre des Champs Elysées**
*Tel: 33-1-4952 5050*
Opéra National de Lyon: Zelmira, by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos. The title role is sung by Mariella Devia; Feb 12, 15, 17

## TOKYO

**CONCERT**
**Suntory Hall**
*Tel: 81-3-3584 9999*
English Chamber Orchestra: conducted by Frank Peter Zimmerman in works by Holst, Mozart and Beethoven; Feb 13

## VIENNA

**EXHIBITION**
**KunstHausWien**
*Tel: 43-1-712 0495*
Jean-Michel Basquiat: Paintings and Works on Paper; to May 2

## TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**

● **CNN International**
Monday to Friday, GMT:
**06.30:** *Moneyline with Lou Dobbs*
**13.30:** *Business Asia*
**19.30:** *World Business Today*
**22.00:** *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

**AUTOMOTIVE INDUSTRY** GROUP EMPHASISES NEW FOCUS ON COMMERCIAL VEHICLES AFTER FALL IN PROFIT

# Volvo hit by restructuring costs

By Nicholas George in Stockholm

Volvo, the Swedish automotive group, yesterday emphasised its ambitions to become a world leader in commercial vehicles after announcing lower full-year profits, which were hit by restructuring costs.

The company said sales rose last year by nearly 16 per cent to SKr213bn ($27bn) from SKr184bn.

Operating profit excluding restructuring costs and capital gains was SKr9.01bn, up from SKr8.42bn. However, when restructuring costs were included, operating profits fell to SKr6.68bn.

Leif Johansson, chief executive, said that following the recent decision to sell Volvo's car operations to Ford for SKr50bn the company would now concentrate on sectors of the trade where profits were more promising.

"The Volvo Group is acquiring the financial resources that will greatly increase the abilities to continue to build on already strong positions in the field of commercial products," he said.

He justified the move by pointing out that in 1998 the operating margin for car operations had been 3.7 per cent compared to the 5.1 per cent in the commercial products divisions.

Pre-tax profits, which included SKr4.5bn from the sale of shares in drugs group Pharmacia & Upjohn, fell to SKr11.62bn from SKr13.17bn.

Underlying operating profits in Volvo Cars fell to SKr3.80n from SKr4.51bn. Larger sales volumes, favourable foreign exchange rates and cost cutting measures did not fully compensate for the fall in demand in south-east Asia and the costs to introduce the new S80 model.

Underlying operating profits in Volvo Trucks rose to SKr3.06bn from SKr1.81bn with the increase prompted by larger volumes in Europe and North America.

In construction equipment, underlying operating profits rose to SKr1.55bn from SKr1.44bn with the division taking charges of SKr910m for restructuring after buying the construction equipment operations of Samsung in South Korea.

Underlying operating profits in Volvo Bus fell to SKr385m from SKr550m due to cost increases in Europe and sluggish demand in South America. In Stockholm, Volvo's most commonly traded B shares rose SKr12.50 to SKr223.50.

# Turkish banks feel the pinch

**Leyla Boulton** finds an industry hit by market crises and political uncertainty

Publicly speculating about which banks might be on the point of collapse may be illegal in Turkey but there is no hiding the poor health of many of the country's banks.

Nervousness about the industry has been triggered by a squeeze on international lending to emerging markets, an economic slowdown and political uncertainty ahead of elections in April. The big question is whether the current environment is likely to spawn long-awaited consolidation of the industry.

The industry is highly fragmented, with about 20 out of a total of 75 banks accounting for 90 per cent of industry assets totalling about $100bn. Heavy government borrowing – fuelling high real domestic interest rates – has made all banks heavily reliant on the lucrative business of borrowing foreign currency to buy domestic treasury bills.

However analysts agree that in the private sector, the four biggest banks plus several "middle tier" institutions are fundamentally sound.

Indeed, according to a report by Salomon Smith Barney, large banks have already started to benefit from potential consolidation in the sector, in spite of the prospect for such consolidation still being unclear.

The market shares of the four largest banks – Isbank, Akbank, Yapi Kredi and Garanti – have all risen since the end of 1997. Their combined market share in terms of deposits has risen to 32 per cent as at October last year, from 29 per cent in December 1997.

"These market share gains ... reflect a 'flight to quality' amid increasing investor concern over the health of smaller Turkish banks," Salomon analyst Haluk Akdogan says.

It is thus among the small to medium-sized banks that the problems are likely to loom. "There are weaknesses [in the industry] but they are unlikely to spread to the bigger private sector banks," argues Laura Papi, senior emerging markets economist at Deutsche Bank.

Tanju Oguz, executive vice-president at Ottoman Bank, a respected medium-sized bank, believes that some smaller banks will become niche players or merge with bigger institutions or leave the industry.

He says Ankara needs to tackle the sector's distortions, including high inflation and the heavy government borrowing that "crowds out" ordinary bank lending to the real economy.

In addition, some bankers are critical of a deposit insurance scheme that guarantees 100 per cent of deposits, encouraging weaker institutions and state banks to offer unsustainably high interest rates to customers. Many bankers and analysts are sceptical that a future government will have the appetite for banking rationalisation.

Murat Ucer, economist at the Istanbul office of Credit Suisse First Boston, believes that reform will only materialise if Turkey concludes a standby agreement with the International Monetary Fund, which on Monday promised Turkey funds to support a comprehensive disinflation strategy after the elections.

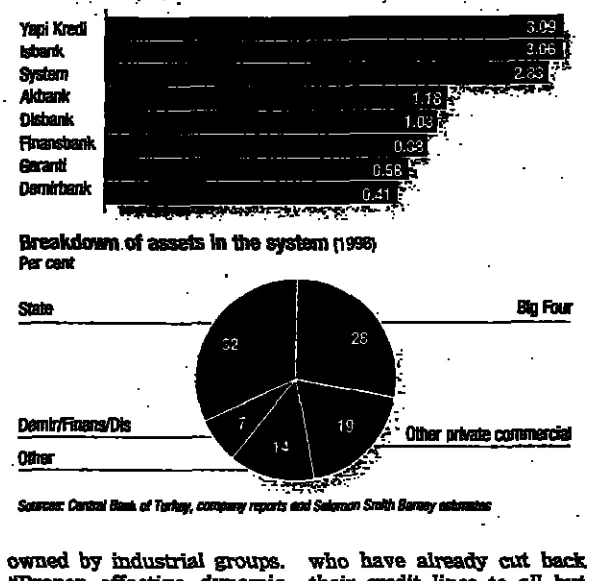
In the meantime, the domestic debate about what needs to be done to strengthen the industry is focused on the caretaker government's attempts to push a bill through parliament aimed at fortifying banking supervision.

The law seeks to create a supervisory body free of the political interference that has allowed too many banking licences to be issued outside the sector and hindered remedial action at some weaker institutions.

It would also seek to curb the sort of intra-group lending that triggered a liquidity crisis at Interbank, the 12th largest bank that was taken over by the central bank's deposit insurance fund last month.

Analysts fear intra-group lending could spread to other private sector institutions, most of which are owned by industrial groups. "Proper, effective, dynamic supervision is a must," says Eran Sabanci, chairman of Akbank. He suggests Turkey is more in need of the political will to pursue the right policies than of a new body to supervise banks.

However it is implemented, stronger supervision would boost the confidence of foreign lenders who have already cut back their credit lines to all but select Turkish groups in the wake of last year's emerging market crises. Access to foreign funds is particularly important for Turkish banks and companies because of their heavy reliance on foreign loans, which are cheaper than domestic funds that command real interest rates of about 40 per cent.



Sources: Central Bank of Turkey, company reports and Salomon Smith Barney estimates

# Investor to boost global exposure

By Tim Burt in Stockholm

Investor, the main investment vehicle for Sweden's Wallenberg business empire, yesterday vowed to increase its exposure to internationally-oriented companies after recording negative total returns for shareholders in 1998.

The company, which confirmed Marcus Wallenberg would succeed Claes Dahlbäck as chief executive, said it would "internationalise" its portfolio through cross-border mergers and investing in exporting growth companies.

Mr Dahlbäck said many of those opportunities would be in the US, and the group wanted to increase its exposure to telecom, pharmaceutical and information technology stocks. He was speaking after Investor admitted its discount to net asset value had widened during the year from 13 per cent to 23 per cent. "In view of our efforts to create shareholder value, this was naturally a disappointment," he added. Pre-tax profits fell from SKr3.9bn to SKr3.71bn ($470m).

Since the year end, however, the group's total net asset value has risen from SKr93.5bn to SKr99.8bn – mainly on the back of share price rises in Ericsson, the telecom group, and Scania, the Investor-controlled heavy truck company.

Mr Dahlbäck, who will become Investor's joint deputy chairman along with Jacob Wallenberg, said the group's return on new investments had increased by 30 per cent last year, while Investor was also investing heavily in larger, more liquid companies.

At the end of last year it spent SKr1bn on Ericsson shares and SKr1.6bn on stock in Astra, the pharmaceutical group. That contributed to a doubling in net debt from SKr8.01bn to SKr16bn. Shares in Investor, which plans a 4-for-1 share split, fell SKr8.50 to SKr337.

Observer, Page 19

# LVMH wants Guida on Gucci board

By Alice Rawsthorn

Bernard Arnault, chairman of LVMH, the French luxury goods group, may face a confrontation with Gucci, the Italian fashion house in which he has bought a 34.4 per cent stake, after asking for a nominee to be appointed to its board.

Gucci's board will meet over the next few days to discuss Mr Arnault's proposal that Umberto Guida should join its supervisory board as LVMH's nominee.

Mr Guida is the Italian-born former managing director of Promodès, the French retail company.

Any Gucci investor with a 10 per cent-plus holding is entitled to call an extraordinary general meeting to discuss appointing a nominee.

The Gucci board will have to comply with Mr Arnault's request and schedule a meeting within six weeks.

Since disclosing in January that it held more than 5 per cent of Gucci, LVMH has raised its holding to 34.3 per cent. The initial disclosure and the aggressive nature of its subsequent share-buying came as a shock to the Gucci board.

Domenico De Sole, Gucci's president, is understood to be concerned that Mr Arnault, renowned for his ruthless approach to acquisitions, might seek to control Gucci without making a full 100 per cent bid.

The Gucci board may consider blocking LVMH's nominee proposal in an attempt to force Mr Arnault to declare his hand, analysts say.

However, no decision will be made on the matter until it has been discussed at the forthcoming board meeting.

LVMH, which already owns such luxury brands as Louis Vuitton and is in talks regarding a potential investment in the Giorgio Armani fashion house, argues that Mr Guida, who is not one of its employees, would adopt an independent stance on the Gucci board.

Mr Arnault said yesterday that the nomination was intended "to allow LVMH to exercise its rights as a shareholder without altering the independence" of Gucci. He also reiterated his "complete faith" in Tom Ford, Gucci's chief designer.

Separately, the European Commission's competition office has contacted Gucci to see if LVMH's stake constitutes a concentration under merger legislation.

Both Gucci and LVMH see this move as purely routine.

# Clariant details new strategy

By William Hall in Zurich

Clariant, one of the world's biggest speciality chemicals companies, plans to invest most of its surplus cashflow over the next few years in the rapid expansion of its fine chemicals business in a bid to boost group operating margins by some 50 per cent.

The speedy build-up of Clariant's fine chemical operation, which includes areas such as electronic materials and intermediates for life sciences, is part of a big shift in emphasis at Clariant following last December's collapse of a planned merger with Ciba Specialty Chemicals.

This would have created a global speciality chemicals company twice as big as its nearest competitor.

The breakdown of the merger, and the sharp downturn in Clariant's underlying markets, have led to a big review of corporate strategy.

Clariant disclosed the first results yesterday along with its 1998 sales, which fell 1 per cent in local currency terms to SFr9.3bn ($6.59bn). In the final quarter of 1998 sales fell by over 10 per cent.

Under the new plan Clariant will distinguish between "semi-specialties" and "specialities", which each account for about 40 per cent of its business, and fine chemicals.

The latter has been targeted for rapid expansion and will be financed by the excess cash flow from semi-specialities, which covers areas like textile dyes, and exceeds by a "wide margin" the funds needed for the growth of this business.

Clariant expects a further increase in operating margins in 1998 and a "double digit" increase in net income, and higher earnings in 1999 as a result of the rapid implementation of its new growth strategy.

Denise Anderson of Bank Sarasin said that Clariant had made its strongest statement to date that it planned to expand via acquisition in the electronic materials and/or intermediates for life sciences.

## NEWS DIGEST

### GERMAN BANKS

## Commerzbank considers share buy-back proposal

Commerzbank, Germany's fourth largest commercial bank, is considering whether to ask its shareholders this year for approval to buy back some of its shares, banking sources said yesterday. If the bank goes ahead, it would be the first German financial institution to take advantage of legislation passed last year that permits companies to reward shareholders by buying back shares on the stock market. Commerzbank's share price closed yesterday at €25.70, about one-third below the all-time high that it reached last summer.

Analysts said the fall in price and Commerzbank's steadily improving financial profile made a share buyback an option worth mulling. Earlier this week the bank reported a rise in 1998 group profit after tax from DM1.27bn (€650m, $733m) to DM1.87bn, although part of the increase was attributable to a rise in income from financial investments to DM1bn.
**Tony Barber, Frankfurt**

### NORWEGIAN FINANCIAL SERVICES

## Den norske profits halved

Den norske Bank, Norway's leading financial services group, yesterday said more than NKr1bn in loan losses last year led to a halving of its net profits to NKr1.314bn ($180m) from NKr2.59bn, in line with analysts' expectations. It blamed significant losses in its shipping portfolio in last year's third quarter and additional loan-loss provisions in the fourth quarter of NKr330m, mostly from its US oil and gas exposure. "We are not satisfied with the operating profits after loan losses," said Svein Aaser, DnB chief executive. However he described the group's operating profit before loan losses, which fell slightly to NKr2.58bn from NKr2.667bn, as satisfactory. **Valeria Skold, Oslo**

### COMPUTING

## Bull stays in the black

Bull, the French computer specialist, stayed narrowly in the black in 1998 in what its chairman yesterday described as "a year of transition". The group posted net profits of FFr17m (€2.6m, $2.9m) on turnover of FFr24.9bn, against FFr603m on turnover of FFr24.6bn in 1997. Operating profit also fell sharply from FFr736m to FFr273m. The size of the fall was partly due to an acceleration in the group's "reskilling" programme. This translated into a FFr402m cost for 1998, up FFr150m from a year earlier. **David Owen, Paris**

### BANKING

## Unibank denies merger talk

Unibank, Denmark's second largest commercial bank, yesterday denied media speculation of an imminent merger involving the bank and Tryg-Baltica, the country's non-life insurance company. Thorleif Krarup, chief executive, said that no concrete negotiations were in progress but re-affirmed his commitment to a link-up should this prove to be in the best interests of his shareholders. "We have an ongoing dialogue with other financial companies in Denmark and I cannot rule out some announcement or other within six months," he said. The bank also yesterday unveiled its 1998 results with Unidanmark, the holding company behind Unibank, showing a 12 per cent increase in profit on core banking activities to Dkr2.43bn from Dkr2.18bn, despite a 37 per cent rise in loan loss provisions to Dkr685m from Dkr499m in 1997. Profit for the year was 2.5 per cent lower at Dkr2.81bn, from Dkr2.88bn in 1997. **Clare MacCarthy, Copenhagen**

### PHARMACEUTICALS

## Richter better than expected

Richter Gedeon, Hungary's largest pharmaceuticals producer, yesterday announced better than expected full-year profits after writing off all provisions for bad debts from the Russian financial crisis. The company said it was justified in writing off the Ft1.06bn ($5m) provision taken in the third quarter of last year because it had succeeded in reducing by 30 per cent an undisclosed sum it was still owed by Russian pharmaceutical wholesalers. The company reported a Ft433m boost to pre-tax profit figures of Ft17.3bn (Ft18.7bn for 1997) on sales of Ft55.1bn (Ft52bn). The 1997 figures were restated upwards because of a retrospective change in accounting policies for investments. **Robert Wright, Budapest**

### SHIPPING

## Moller to buy Safmarine

A.P. Moller of Denmark, the container ship operator which owns Maersk Line, has agreed to buy the liner business of Safmarine, part of South Africa's Safren group, for $240m in cash, Safren said yesterday. Safren, in common with other unwieldy South African conglomerates, has struggled with foreign competition since the economy was opened to the outside world following the end of white rule five years ago. It plans to sell all its businesses, and has already raised R2.23bn – minus tax liabilities of R310m – by selling aircraft leasing group Safair, its 75 per cent interest in Rennies Group and the liner operation. **Victor Mallet, Cape Town**

### SEMICONDUCTORS

## Siemens achieves chips first

Siemens, the German electronics group, and Motorola of the US said they had suceeded in producing the world's first fully functional semiconductor chips using next generation 300mm silicon wafers. The two companies said their joint venture company, Semiconductor300, had produced 64 Megabit D-Ram (Dynamic Random Access Memory) chips using the technology at its pilot plant in Dresden, Germany. Using the larger size wafers will enable chip makers to reduce overall production cost per chip by about 30 pct compared with current 200mm technology. **Paul Taylor**

### FUND MANAGEMENT

## Rising market lifts ABN Amro

Demand for pan-European equity products helped ABN Amro asset management, the fund management arm of the Dutch-owned bank, increase assets under management by 27 per cent last year. Almost all of the increase, from FL 155bn to FL 197bn, was due to new business and rising stock markets. The most successful area of business was ABN's European equity funds, which attracted FL 3.4bn last year in the run-up to the launch of the single currency. **Jane Martinson**

COMMENT & ANALYSIS

**FINANCIAL TIMES**

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# The right move by Germany

The German government's plan for a fund through which German companies will compensate those who worked as wartime slave labourers is highly welcome.

Not as a new confession of guilt; German governments have long ago admitted that and paid DM140bn (£49.40bn) in retribution. But some government involvement offers the best chance of speedily wrapping up the many law suits which Jewish groups and their lawyers have already launched in US courts against the German companies.

It was inevitable that the spotlight of the widening Holocaust inquest would come back to Germany. The investigation into Switzerland's role in handling looted gold - which ended in last year's $1.25bn settlement by Swiss banks - also shed more light on the part played by the Deutsche and Dresdner banks. They are now being sued in the US for their part in the seizure of jewish businesses and in taking in Holocaust victims' gold. The investigation into unpaid insurance premiums focuses on European insurers, including Allianz of Germany. All this has whetted the appetite for justice of survivors and their lawyers, who are now pursuing large German companies like Volkswagen, Daimler and Siemens for their forced labour practices.

This is the first time since the war that the finger has been so directly pointed at German companies. But they are not putting on the same show of injured innocence as their Swiss counterparts. The reasons for this are several. Germany's war guilt has always been obvious. Today's leaders of corporate Germany are too young to feel implicated in their companies' sorry past. At the same time, many of them see their business future lying in acquisitions in the US.

Chancellor Schröder's new government wants to shed all the burdens of the past so that Germany can play a normal role in the world. Contrast this with the behaviour of Japan, whose relations, especially with Asian neighbours, are still soured by Tokyo's failure to make full apology and compensation for its wartime conduct.

Problems remain. Germany's new plan may leave important loose ends, like the suits against its banks. This would be a serious omission in the light of Deutsche Bank's proposed takeover of Bankers Trust and Dresdner's stated desire for a US acquisition.

In settling all these suits, the principle of just and speedy recompense should be paramount. To the degree still possible after half a century, compensation should be based on evidence of survivors' claims, and not on the plaintiffs' lawyers always upping the ante. It must also be paid out fast, if it is to reach survivors, few of whom are under 70.

# Blood guilt

The trial in Paris this week of Laurent Fabius, the former French prime minister, and two of his fellow ministers raises an issue of general importance for democracies. They are accused of delaying the use of HIV tests on blood used for transfusions, and so causing unnecessary deaths.

As a result of successful prosecutions of officials in 1992-93, the broad facts of the case are fairly clear.

Between March and June 1985, the French authorities delayed the introduction of a US test to screen out HIV contamination in blood banks. This was partly to allow France time to develop its own test. Even after June they allowed all the old stocks of contaminated blood to be used. For reasons of cost and national pride, France was also slow to import the (then) new technology of heat-treating blood supply products. These errors were compounded by the use of blood from prisons where there was a high incidence of infection.

Michel Garretta, former head of the national blood transfusion service (CNTS) and Jean-Pierre Allain, researcher at CNTS, have already served prison sentences for their parts in this scandal. The question now is whether their political masters were also guilty. In determining this, the court must avoid hindsight or the strong emotions that this case arouses.

Certainly, if politicians commit crimes, their office should not shield them. But this case illustrates the difficulty of apportioning blame, especially in relation to new medical techniques. First, contaminated stocks were also being used in many countries besides France until the late summer of 1985. Britain also delayed introduction of the US test in order to give its own industry a chance to catch up. Although UK blood supplies were "cleaner" than those in France, several people died as a result of this delay. Infected blood was still in use in Germany and in the US for some time after testing became available; in Japan it was being sold until 1987.

Second, HIV tests at the time was not completely reliable, and there were anxieties at first about whether they would deter potential donors. Then it must be remembered that there were only two cases of Aids resulting from transfusion in the US in 1984, although the numbers exploded to 11,000 in the US and Europe by the next year.

Clearly, it would be wrong to put cohorts of politicians behind bars for these mistakes, grave as they were. The consequences of honest ministerial errors can be dreadful, but they are a necessary price of democratic government. The line between such mistakes and a criminal offence may be a fine one. It is especially important, therefore, that it should be be carefully drawn.

# Pilgrim's Progress

An ambitious politician in need of inspiration is scheduled today to make the pilgrimage to the spiritual centre of moderate conservatism, Austin, Texas. William Hague, the UK Conservative party leader, plans to seek the counsel of George W. Bush, governor of Texas, early favourite for the Republican presidential nomination, and shaman of "compassionate conservatism".

The question is whether Mr Hague has anything to learn from Mr Bush's political success. It is far from clear, even in the US, how "compassionate conservatism" will translate out of Texas. Nationally, Mr Bush faces similar challenges to that of Mr Hague: overcoming a centre-left opponent less of the left and more of the centre; and coping with the right of his own party.

In his home state, the Republican has reached out to groups of traditional Democratic voters, including the poor and Hispanics. He is neutral on abortion and tolerant of homosexuality, thus drawing accusations from hard right Republicans and religious conservatives that he is a "pale imitation" of a Democrat.

Imitation alone is not enough, so the temptation remains for both Mr Hague and Mr Bush to shuffle to the right. In Mr Hague's case that might mean becoming still more strident on Europe and, in Mr Bush's, adopting elements of the harsh agenda of his party's hardliners.

A rightward lurch would be a mistake for both politicians. President Bill Clinton's lasting popularity is due to a combination of a strong economy, personal charisma, and tactical intervention on policies that matter to voters, for example, education and social security. The US public generally accepts the government's right to intervene, while still being opposed to Big Government.

The challenge for the two conservative aspirants is to retake some of the middle ground, while keeping the right wing in tow, and to prove that they are sound managers, which Mr Bush has already done as governor.

Mr Bush, presuming that he does run for the presidency, has the opportunity to claim territory for himself on issues as significant as taxation, pensions and defence. And both Al Gore, the likely Democratic presidential candidate next year, and the government of Tony Blair, the UK prime minister, have regulatory tendencies that could make them vulnerable come election time.

Apart from discussing strategy during the audience in Austin, Mr Hague should seek a few tips on style from Mr Bush, whose "inclusiveness" is articulated in his fluent body language as well as in his policies. But there are limits to the lessons in Texas. Mr Hague must leave the cowboy boots behind.

# Japan's big issue

**The Bank of Japan has reached its moment of decision: whether to resort to printing money in a last-ditch attempt to rescue the economy. Gillian Tett and Paul Abrahams report**

In a dingy room on the eighth floor of the Bank of Japan this morning, a critical meeting will take place. The nine members of the Bank's policy board will meet to consider whether the Bank should purchase more Japanese government bonds to support bond prices and boost the economy.

The decision whether to monetise Japan's debt will be among the most important the Bank has taken. The basic issue in question is whether to overturn decades of central bank caution and embark on a last-ditch attempt to rescue the economy by printing money, as opposed to by fiscal stimulus, the prevailing (and so far ineffective) policy of the past two years.

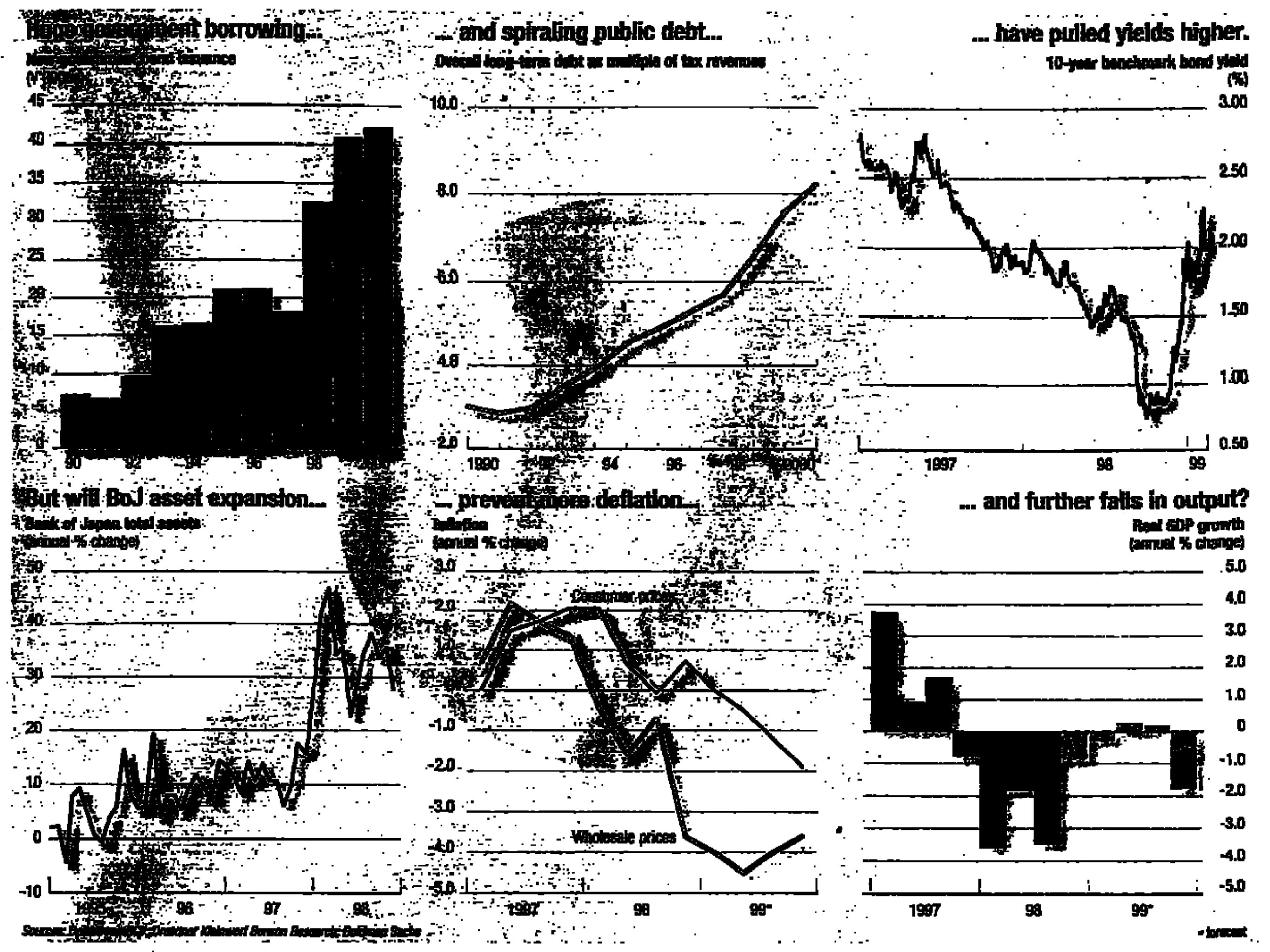
Politicians have been baying for action, demanding the massive switch in policy. But Masaru Hayami, Bank governor, has vehemently refused. At stake, he insists, is nothing less than the credibility and independence of the central bank, and Japan's reputation as a bastion of monetary stability. Will the Bank crack now?

Thus far, the best guess is "not quite", although it may splinter a little. The policy board may approve some token gesture of bond buying, but it will not yet take the radical step of embarking on full-scale monetisation. One idea being mooted, for example, is that the Bank should increase its purchases of high-profile 10-year Japanese government bonds (JGBs) - but offset this by selling the short-dated securities it holds, leaving the net impact little changed.

But such a typical Japanese compromise would only delay a bigger battle. For what the debate about the Bank's bond purchases has highlighted is that the country has pretty much run out of conventional remedies to create growth. And this problem is likely to get worse - not better - in the coming months, irrespective of any fudge today.

This might seem surprising. After all, in the past few weeks there have been a few signals that last year's recession may be ending. The Economic Planning Agency believes the economy probably expanded by around 0.2 per cent in the last quarter of calendar 1998. Not much perhaps, but that compares with a fall in national income of 3.5 per cent in the year to the third quarter and a 7 per cent decline in industrial output last year. Even the cautious Mr Hayami has said the recent downturn should bottom out by the first half of this year.

Although these hints of an upturn may be encouraging, they are unlikely to be sustained. The main factor behind the upturn is the massive fiscal stimulus packages that were launched by the government last year. And most of these measures are due to come to an end later this year. There is precious little reason to believe that the normal components of domestic private demand – consumption or investment – will take up the slack. Private consumption, which accounts for nearly 60 per cent of gross domestic product, continues to slump. Cuts in industrial production have led to a steep fall in the number of people employed, as well as falls in salaries, bonuses and overtime. In December, cash earnings dropped 4.2 per cent year on year, the worst decline in modern times. Last year, household spending fell 2.2 per cent, the sixth straight fall and the worst decline in 24 years. Prospects for the next financial year are bleak. Salomon Smith Barney, a brokerage, predicts wage income will fall an annualised 2.4 per cent.




The other component of private demand - corporate capital spending - is also in trouble. A collapse in consumer demand, production cuts and a shortage of capital has caused a sharp contraction in investment. The Economic Planning Agency estimates that this financial year (ending March 31) capital spending will fall 6.3 per cent year on year. In December, machine tool orders dropped 31 per cent, the 10th month of year-on-year declines. With pre-tax profits at main non-financial companies of the Tokyo stock market expected to fall 41 per cent this year according to HSBC Securities, the chances of an uptick in investment next year are slight.

The final nail in the coffin is exports. Until last autumn these provided the economy's only visible means of support, except for government spending. But the yen's 20 per cent appreciation against the dollar since August has undermined the competitiveness of Japanese exports, which in December tumbled 12 per cent year on year, the third consecutive month of decline.

Add all this together, and most Bank and Ministry of Finance officials privately concede that any growth could peter out later this year. And this, in turn, will leave the government in a painful bind. With an election looming in 2000, it is unlikely to stand by and watch the economy slip deeper into recession. Nor can it "cure" the problem with the type of deregulation that many of its trading partners are demanding, since this may simply damage consumer sentiment and investment in the short term, while leaving any benefical effect for the long term.

Another option, of course, might be yet more fiscal spending. And some politicians are already quietly muttering about "additional" supplementary budgets, perhaps in the summer. But pursuing this tack is likely to become increasingly difficult, given the spiralling budget deficit. Bond prices have already fallen sharply on news that the government plans a record Y61,000bn (£329.6bn) gross JGB issuance in fiscal 1999. Since October, the yield on the benchmark 10-year bond has surged from 0.695 per cent to 2 per cent. Putting more bonds into the markets would probably drive long-term rates even higher, inflicting more economic damage.

This, however, is where the Bank of Japan comes in. For if the Bank could be persuaded to buy bonds, politicians argue, it could stop bond prices falling, both now, and the future. Or, to put it another way, such purchases would in effect give the government "newly created" cash which it could spend to boost the economy. Hiromu Nonaka, chief cabinet secretary, says: "The BoJ, as a central bank, has the responsibility to resolve the current serious situation by considering various means, including buying government bonds."

Just how dramatic any impact would actually be would depend on the degree and manner by which the Bank implemented these purchases. The most drastic option would be for the Bank to purchase JGBs directly from the government. This was done once before in its history, during the 1930s and 1940s. But the Bank is now banned from doing this because the 1940s episode triggered hyperinflation.

However, a potentially less drastic choice would be to buy more bonds from the secondary markets. The Bank already buys around Y400bn of JGBs from the market each month, through money-market operations but only at set levels in line with market demand for bank notes. If the Bank wanted to expand the money supply, however, it could dramatically increase these operations, effectively pumping more cash into the economy. This in turn could have two additional benefits: a rapid increase in the cash supply would probably weaken the yen and boost exports; and over the longer term, a rise in the level of inflation would reduce the "real" size of government debt.

Mr Hayami says this route would carry extreme dangers, and is "by no means a viable option". A bout of inflation would be devastating for Japan's ageing savers, much of whose savings are in fixed-income securities or cash. It could shatter the central bank's hard-won credibility. And if it led to a sudden tumble in the yen, it could lead to a trade war. Most perniciously of all, any action by the Bank would tempt politicians simply to raise their spending to ever more unsustainable levels. "This would be an open invitation to just spend and spend," says one official, who argues that monetisation would "remove any incentive" to implement serious structural reform.

Equally, a simple "no" from Mr Hayami will not provide a solution to the growing economic conundrum either. Politicians are already critical of the Bank's inactivity. The real problem, they say, is not inflation but severe deflation. Wholesale prices are falling at an annualised rate of 4.9 per cent. Some Bank economists expect to see consumer price deflation later this year. Critics claim the Bank is implicitly tolerating this deflation by its inaction. Indeed, some observers suspect that if the Bank digs in its heels too aggressively, politicians will eventually whittle down the Bank's independence altogether. "The BoJ will be driven into a corner where it must support the government's fiscal measures ... to avoid turmoil in the economy," says Hiroshi Kuriyabashi, economist at Barclays Capital. "It will not be a surprise if Mr Hayami would resign [as a result]."

Can the nine members of the policy board stave this off – other than by hoping, Micawber-like, that something will turn up? One sensible move might be for the Bank to offer some means of easing monetary policy slowly, ideally in exchange for more government commitments to deregulation and financial reform. It could, for example, raise its JGB purchases through money-market operations in a relatively controlled – and easily reversible – manner. Bumping them up from the current Y400bn to Y600bn, for example, is unlikely to leave Japan heading into the type of hyperinflation that Mr Hayami fears.

An even more sensible move would be for the Bank to state clearly and precisely just what its policy goals are. These are currently vague, merely committing the bank to the maintenance of financial system stability, price stability and healthy economic conditions. If the Bank were to state clearly now that its goal was to keep inflation between 0 per cent and 2 per cent, for example, it might reassure the markets that it was committed to avoiding deflation.

The eight men and single woman on the board gathering today face unpalatable choices. If they do give way, they open the gates for further political intervention. If they do nothing, they could be blamed for Japan falling into depression. They will need the judgment of Solomon.

# OBSERVER

## Trittin tempts fate

Contrary to expectations, it's not the tension between German chancellor Gerhard Schröder and ambitious Social Democratic Party chairman Oskar Lafontaine that's gripping Bonn at the moment. Most eyes are on Mr Schröder's frosty relationship with Jürgen Trittin, his Green environment minister.

The moustachioed Trittin's cavalier approach towards shutting Germany's 19 atomic power stations has upset not just the country's energy companies but also the French and British who are involved in nuclear waste reprocessing contracts.

So far, Schröder has the upper hand. He's known Trittin since their time in coalition in Lower Saxony's state government – and hasn't been afraid to take his environment minister down a notch or two in public.

And Trittin's hand has been weakened by his party's poor results in Hesse's state elections. Senior Social Democrats in Bonn now argue the SPD needs to raise its profile. If Trittin continues his collision course, he could end up like a nuclear fuel rod – spent, incarcerated and beyond reprocessing.

## Family album

Think back to 1978. Menachim Begin and Anwar Sadat shook hands at Camp David, Karol Wojtyla became Pope, Boney M reached number one – and Claes Dahlbäck became chief executive of Investor, the main vehicle for Sweden's Wallenberg business empire. Yesterday, the company launched its annual results with a short film celebrating the chief executive's inaugural year to mark Dahlbäck's departure after almost 21 years at the helm. He's finally handing over to long-time boardroom colleague Marcus Wallenberg.

Dahlbäck confined himself to just two slides; the first a picture of his three children in 1978, and the second a snapshot of Cecilia, Henrik and Louise as adults in 1999. "He wanted to show that some things are more important than quarterly figures," said one insider.

This soft-centred version of Dahlbäck might surprise investment bankers and analysts who've felt his temper over the years, but they shouldn't relax just yet. He'll remain a central figure as executive vice-chairman. And successor Marcus Wallenberg – known as Husky – will be no pushover.

## Door policy

Doors have been revolving again at Dutch electronics firm Philips. Former Unilever chief Floris Maljers is leaving halfway through a second term as chairman of the supervisory board. He's 65, but his successor – Lo van Wachem, a former Royal Dutch/Shell chairman – is two years older.

So Amsterdam pundits were quick to detect the hand of Cor Boonstra, whom Maljers and Jan Timmer, Boonstra's predecessor, installed in 1996 as Philips's president. Timmer had aspired to end his Philips days as chairman of the supervisory board, but left two years ago after run-ins with Boonstra.

If the same has happened again, the feisty Friesian has won out once more. Unveiling a disappointing set of annual numbers, Boonstra spoke yesterday only of personal reasons for the departure, though the two are known to have had their disagreements.

A bigger question is how long Boonstra will go on. "I think every day about stopping," he said before insisting he had no intention of giving up soon. But he did let slip that only a technological wizard could run Philips with any confidence in the future.

That augurs well for Roel Pieper, the ex-chief of Compaq Computer who is seen as Boonstra's successor. Nice work if he can get it.

## Bank ranks

So now we know. Your average central bank governor is slipping towards 60 and isn't the most energetic of types, though he tends to work hard at hanging on to his job once he's got it.

That's the conclusion to be drawn from the latest edition of *Flemings Who's Who in Central Banking*, which shows that most are economics graduates, nearly half have been to UK or US universities and most confine their hobbies to reading or listening to music. But while their average age is only 53, some have been around a good deal longer. The oldest is 73-year-old Bank of Japan governor Masaru Hayami – robbing sprightly Federal Reserve chairman Alan Greenspan, 72, of the title. At the other end, National Bank of Georgia governor Irakli Managadze is a lad of 32.

The title of longest-serving central bank boss goes to Maumoon Abdul Gayyoom of the Maldives – in the job more than 18 years. But then Gayyoom's ability to beat off contenders might have something to do with his non-banking responsibilities. He's president of the Republic and commander-in-chief of the armed forces.

## Pigging out

The green-welly brigade at Britain's National Trust have always prided themselves on being family-friendly. But now Observer's not so sure. They've dreamt up "the perfect way to celebrate Father's Day" – by inviting people to attend a summer event entitled All About Pigs.

*The Financial Times*

## 50 years ago

**U.S. Aid To Europe**
Washington, Feb. 11. Mr. Dean Acheson, United States Secretary of State, said to-day that any attempt to get closer political co-operation in Europe before a levelling of economic stability would cause "even greater confusion than you have now." Mr. Acheson was addressing the Senate Foreign Relations Committee. He praised Europe's progress in mutual aid and economic co-operation. He described the creation of the Council of Europe as a "helpful and very forward-looking step. Bit it is quite impossible to achieve political integration until certain countries which are behind others in economic stability have caught up."

**IMF Plea To S. Africa**
Washington, Feb. 11. The International Monetary Fund, after a special meeting of directors, has sent a note asking the South African Government to explain the decision, announced last Monday, to sell semi-processed gold at premium price. The directors were understood to have been "greatly concerned" at South Africa's decision to sell 100,000 ounces of gold to London brokers.

AUSTRALIA ANNOUNCEMENT HITS SHARES

# Westpac chief to leave bank

By Gwen Robinson in Sydney

Shares in Westpac Banking Corp, Australia's second-largest bank, fell yesterday on the announcement that Robert Joss, managing director, would leave at the end of the month.

David Morgan, head of the bank's institutional and international division, takes over from Mr Joss on March 1, Westpac said yesterday.

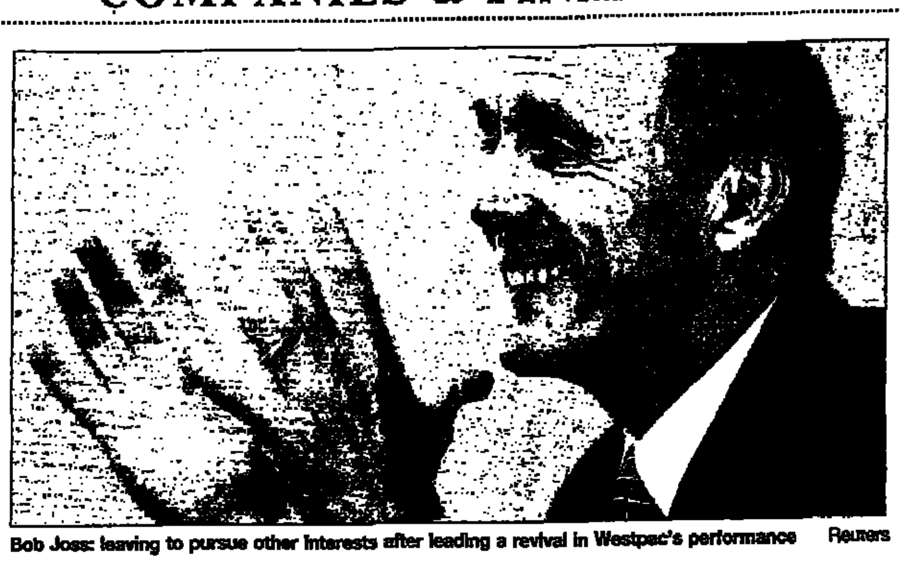
US-born Mr Joss, 57, joined Westpac in 1993 from Wells Fargo Bank of the US. He said he was leaving to pursue other interests and spend more time with his family in California.

Mr Joss added that he wanted to pursue a "new career", but would not consider this before completing his role on a government-appointed tax reform panel due to report in June.

He rejected rumours of job offers from rival banks and Telstra Corp, the Australian telecommunications company, saying he had decided over the Christmas period it was time to "move on".

News of Mr Joss's departure, announced initially at midday without explanation, stunned markets and triggered speculation about internal problems. The bank's share price plunged from its morning high of A$10.75, rose after Mr Joss and Mr Morgan met the press in mid-afternoon, then fell back, to close 3 per cent lower at A$10.20.

Analysts said last night they accepted Mr Joss's explanation. The leadership change would make no "material difference" to Westpac's performance, they added. The bank's strategy under Mr Joss had been reinforced by strong earnings performance in the last few years, said Craig Williams, banking analyst at Merrill Lynch Australia.



Bob Joss: leaving to pursue other interests after leading a revival in Westpac's performance Reuters

Asked about the timing of his departure, Mr Joss said: "It's a relatively good time for the bank. The situation is that we can pass the baton between David and myself and not miss a beat."

Mr Morgan, 52, a former Treasury official and economist at the International Monetary Fund, joined Westpac in 1990 and has worked closely with Mr Joss since 1993. He said he was committed to the bank's strategic direction and changes would be "minimal". "There has not been a single major strategic decision in the last six years that I've not been closely involved with."

In that time, Mr Joss led a revival in Westpac's fortunes, overseeing massive restructuring and a sharp reduction of bad loans.

● Deutsche Bank and Bankers Trust Australia announced yesterday that the Australian investment banking operation of Bankers Trust would be sold in its entirety.

The decision followed intense negotiations between Deutsche Bank and BT Australia's management after Deutsche and BT announced late last year their intention to merge their operations worldwide.

The sale of BT's Australian investment bank will be conditional on completion of the global merger, expected in the second quarter.

# VSNL's share sale approved

By Krishna Guha in Bombay and Khozem Merchant in London

India's government yesterday approved the sale of 10m shares in international telecommunications carrier VSNL for $185m, its biggest privatisation deal this financial year.

The government was forced to settle for a low price of $9.25 per global depositary receipt (equivalent to half a domestic share). VSNL shares rebounded on international and local markets amid relief that the issue was over-subscribed by foreign investors, and not financed by state-owned banks.

A banker close to the issue said: "At the offered price, demand from Indian public sector institutions was weak ... and therefore the allocation was given over entirely to international investors." One of the key concerns expressed by investors was the lack of clarity on regulatory issues.

The shares closed at Rs700 in Bombay, up Rs25 on the previous day and close to its level at the start of the year, while the GDR was $10.48, up $1.23 in late trading in London.

Traders said the pricing decision put an end to an arbitrage squeeze in which speculators sold the existing stock in anticipation of a low price for the privatisation.

"I am surprised that it ever went through," said the head of research at one Bombay stockbroking firm. "It is obviously a come-down for the government – the government expected a much higher price – but at least it went through."

There was demand at low levels, said one fund manager, who added that the price represents only about six times forward earnings.

Investment bankers close to the deal said investors were angry about government plans to set up public sector cross-shareholdings in the oil and gas sector but were prepared to treat the telecoms sector as a different case.

## NEWS DIGEST

### JAPAN

## Nissan Diesel to close plant and cut 3,000 jobs

Nissan Motor's truck-making affiliate, Nissan Diesel, is to close an assembly plant north of Tokyo and cut 3,000 jobs – 25 per cent of the workforce – as part of a restructuring effort, it said yesterday. The move is likely to help Nissan in its alliance talks with DaimlerChrysler, which have been going on for about a year, industry observers said.

Nissan Diesel aims to be back in the black by the end of fiscal 1999 and plans to reduce the number of truck models it produces, as well as consolidate domestic market subsidiaries. **Reuters, Tokyo**

### PAKISTAN

## Turmoil depresses Hub

Pakistan's largest private-sector power company, the Hub Power Company, yesterday announced a sharp fall in revenues and net profits for the half-year ending in December. Analysts said the fall was partly a reflection of Pakistan's economic turmoil and partly the consequence of Hubco's legal battle with the government over the tariff that it charges.

Hubco's largest shareholders include Britain's National Power followed by Xenel, a Saudi Arabian industrial group. Hubco said yesterday that unaudited accounts approved by its board of directors in London on Wednesday showed that its revenues had fallen to Rs9.77bn ($229m) during July-December from almost Rs12bn for the same period a year ago. Net profits fell by 37.8 per cent to Rs3.3bn. **Farhan Bokhari, Islamabad**

### AUSTRALIA

## CCA exceeds forecasts

Coca-Cola Amatil, the Australian-based soft-drink bottler, reported stronger-than-expected profits yesterday, but saw its shares fall almost 4 per cent on concerns about future growth. CCA's net profit for the year to December of A$202.3m (US$131m) was well below A$241.2m the previous year, but exceeded market forecasts. The results, however, were not comparable because of restructuring last year, when the group spun off European operations into a new company, Coca-Cola Beverages, and bought the South Korean bottling operations of The Coca-Cola Co. Coca-Cola owns about 43 per cent of CCA. Excluding Europe, CCA's operations recorded a 9 per cent fall in net profit to A$179.3m. **Gwen Robinson, Sydney**

### SINGAPORE

## Keppel buoyant despite result

Shares in Keppel Corp, the government-linked Singapore conglomerate, and its subsidiaries rose in active trading yesterday as investors looked past the group's worse-than-expected earnings to restructuring plans. Keppel Corp shares closed up 56 cents at S$4.10 after it reported net losses of S$144.6m (US$85.5m) for the year ended December 31, against net profit of S$171.1m the previous year. **Sheila McNulty, Kuala Lumpur**

# Bear Stearns rebuked for IPO

By Louise Lucas in Hong Kong

Bear Stearns Asia, the regional arm of the US investment bank, was yesterday publicly reprimanded by the Hong Kong securities regulator for effectively creating a short position in a share offering it underwrote.

The initial public offering concerned was Yanzhou Coal Mining, the only mainland enterprise to launch an IPO in Hong Kong since 1997. Bear Stearns was joint sponsor and lead manager of the Hong Kong offering, which raised a total of HK$2.07bn (US$267m).

Bear Stearns included an over-allocation option, which enables the underwriter to sell more shares – up to a certain level – in the case of over-subscription. Underwriters do this either by issuing more shares or, in some cases, purchasing them in the market.

This clause was triggered in the case of Yanzhou Coal, and Bear Stearns duly sold more shares; but overstepped the limit without informing the Securities and Futures Commission.

As such, it was effectively selling shares it did not have, or creating a short position. The SFC said its rules made it "clear that the creation of a short position in excess of the limit under which shares could be allocated pursuant to an over-allotment option is subject to the scrutiny of the Commission".

Yanzhou Coal's shares were issued at HK$2.42, or HK$2.44 for those issued under the over allotment option, and closed at HK$2.475 on the first day of trading. Within a week the price dropped to HK$2.35. The shares are now trading at around half the issue price.

# San Miguel reports 88% jump in profits to $626m

By Tony Tassell in Manila

The controversial return of prominent Filipino businessman Danding Conjuangco to the helm of San Miguel, the country's largest food and beverage group, after a 12 year absence has been marked by a sharp leap in headline 1998 profits.

The company, a bellwether of the Philippine corporate sector, reported an 87.9 per cent surge in net profits to 24.4bn pesos ($626m) for 1998, thanks to heavy one-off gains from asset sales.

Excluding net one-off gains, the company posted a more modest 11 per cent increase in recurring net profits to 3.3bn pesos compared with 2.96bn in 1997 – a result largely in line with market expectations.

Higher margins in domestic brewing, food and spirits operations offset the impact of weak consumption growth, currency volatility, a poor performance by the company's packaging division and continued losses in international operations.

Market attention, however, remained more focused on Mr Conjuangco's plans for San Miguel.

Since he wrested control of San Miguel sevens months ago from the Sorriano family, the former associate of the late dictator Ferdinand Marcos has voted through large asset sales as part of a strategy to reduce debt and exit businesses in which the company did not have full control.

After disposing of stakes in Nestlé Philippines and the European bottler Coca-Cola Beverages last year, San Miguel had built up a cash pile of 54bn pesos at the end of December.

It has also signalled its intent to sell a 20 per cent stake in Coca-Cola Amatil, the Australian-based bottler, which has been valued at about $900m on current stock market prices.

While some funds are intended to reduce the company's debt of 40bn pesos, the company is now on the acquisition trail, leading to speculation of bid targets.

At the same time, there has been speculation that Mr Conjuangco may be looking to sell his 20 per cent stake in San Miguel once sequestration of the shares is lifted. The shares were sequestered by a government body investigating ill-gotten gains under the Marcos regime.

"There is so much speculation surrounding this company that the results are somewhat of a sideshow," said an analyst at a leading foreign brokerage.

The company indicated yesterday that any acquisition was likely to be domestic.



NORMA COHEN
THE PROPERTY MARKET

# Banking on buildings

**The newly merged SG Paribas has described real estate as one of six core activities, despite poor returns on holdings**

Last week, French banking giants Société Générale and Banque Paribas announced a £10.3bn ($16.89bn) merger to create the world's fourth largest bank.

In outlining their new, combined business strategy, real estate was described as one of six core activities.

The casual reader of the briefing book distributed by the new SG Paribas – as the entity is to be called – would have good cause to be mystified by this decision.

Real estate, the document says, made no contribution to pre-tax profits, unlike retail banking which added €1.3bn ($1.46bn) or investment banking which added €1.4bn. Real estate income before tax was nil, unlike proprietary investments which added €1.4bn or specialised financial services and asset management and banking services which added €0.5bn each. Return on equity was nil, unlike the 37 per cent returns achieved from asset management and banking or the 26 per cent returns achieved from both retail banking and specialised financial services.

Why then is the new banking superpower committed to real estate?

"I am a bit surprised that they have made real estate a core activity," says Lionel Botbol, an associate with JP Morgan's Real Estate division. Mr Botbol notes that Paribas's most significant real estate holding is its 65 per cent stake in Klepiere, ranked France's fourth largest property company.

"The question is whether Paribas will hold or reduce its stake in Klepiere," Mr Botbol says. Klepiere is considered a particularly attractive stock because it is one of the few listed companies with exposure to France's booming retail property sector. Given its premium share rating, a reduction in Paribas's stake would serve to enhance returns and improve Klepiere's liquidity.

Société Générale's other property holdings include a development company, Segece, which Mr Botbol describes as "a jewel in the crown". Profit margins there are roughly 12 per cent.

The difficulty with attempting to float off the banks' real estate holdings, Mr Botbol says, is that French property companies, with the exception of Unibail, all trade at discounts to net asset value. The launch of €100m of assets will net the seller perhaps €80.

That still does not explain why Société Générale and Paribas should regard real estate as a core activity.

"It is too early to say," Paribas says.

However, the bank says that in January it embarked on a strategy of disengaging itself from property and, before the merger was announced, reorganised itself into four divisions, folding real estate into its proprietary investments business.

But if Société Générale and Paribas are unclear as to why real estate is a core activity, are other European banks with real estate holdings any more certain.

Sweden's thriving quoted corporate property sector had its roots in the wave of bank consolidations and restructurings which swept Scandanavia in the early 1990s.

In many cases, the Swedish banks acquired their holdings of real estate portfolios and companies through foreclosure on loans. These were sold on the open market with balance sheet restructuring.

Jonathan Lane, head of real estate corporate finance at investment bank Warburg Dillon Read, says that Continental banks have historically been in the real estate business, either in their role as lenders to developers or more simply, as part of their strategy of holding stakes in industrial companies, including real estate.

Divesting themselves of these is not so easy, Mr Lane says. The banks may have acquired the stakes during the last property boom when values were high, and a sale would force them to crystallise their losses.

"In other instances, they have owned them for decades and they are in their books at their original 1910 cost," he says. Capital gains taxes could be enormous. "They can't afford the tax bill."

Ironically, bank mergers inevitably require a "pre-merger provision": a kind of kitchen-sink provision to include a wide variety of costs associated with mergers. These allow banks to hide either a substantial capital gains tax charge or a write-down of real estate values in a larger pool, making bank consolidation the ideal time to dispose of real estate holdings that banks no longer really want.

Mergers also offer opportunities to banks to reduce their own real estate portfolios, divesting themselves of disused offices and branch networks made obsolete by technology.

In the UK and the US, bank consolidation has caused mass unloading of discarded retail branches and office buildings. However, Mr Lane says: "A whole bunch of redundant premises is not an attractive proposition to a buyer. Where banks are selling surplus buildings, they tend to be doing so on a piecemeal basis."

Recent bank mergers in Spain has also given rise to speculation that institutions would divest their real estate assets. The merger last December of Banco Santander and Banco Central de Hispaña has prompted speculation that the former would reduce its 26 per cent stake in Vallehermoso, one of the largest property companies in Spain.

Additionally, it has led to speculation that the two, which now have a 47 per cent shareholding in a smaller property company, Urbis, would try to merge that into Vallehermoso. The two also have another 16 per cent holding in Metrovecesa, another large Spanish property company.

Steven Zitzer, director of commercial real estate finance at the Spanish bank Argentaria, says that bank's real estate holdings are there for mostly historical reasons.

In the case of Banesto, which is wholly owned by Santander, the bank had a policy of holding stakes in industrial companies, of which real estate is simply another sector.

But Continental banks are increasingly feeling the icy wind of shareholder activism, where accidents of history are not enough to justify dabbling in non-banking activities, he notes. If real estate does not produce sufficient returns, shareholders will be pressing managements to explain themselves.

"My personal view is that banks should stick to lending," Mr Zitzer says.

**Profitability**
Returns on invested capital

By country (%)

| | 1997 | 98 | 99 | 2000 |
|---|---|---|---|---|
| UK | 5.0 | 4.9 | 4.8 | 4.8 |
| France | 3.1 | 3.3 | 3.2 | 3.1 |
| Spain | 2.8 | 2.9 | 3.3 | 3.7 |
| Italy | 1.9 | 1.8 | 1.7 | 2.3 |
| Belgium | 5.2 | 5.3 | 4.7 | 4.8 |

By market cap (%)

| Size-band | 1997 | 98 | 99 | 2000 |
|---|---|---|---|---|
| <€1bn | 4.9 | 4.8 | 4.7 | 4.7 |
| €1-2bn | 4.2 | 4.1 | 4.1 | 4.2 |
| €2-3bn | 4.4 | 5.4 | 4.2 | 4.3 |
| >€3bn | 4.9 | 4.5 | 4.5 | 4.5 |

Source: Warburg Dillon Read

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FINANCIAL TIMES
# COMPANIES & MARKETS
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## INSIDE

**Talks blur pay-television outlook**
Rupert Murdoch has entered talks with Canal Plus, after the French pay-television group purchased a 24.6 per cent stake in Pathe, the media company, prompting Mr Murdoch to re-assess his plans to compete against Canal Plus's Telepiù service in Italy. But the talks only blur the outlook for pay-television. Page 26

**San Miguel posts 88% rise in profits**
San Miguel, the Philippines' largest food and beverage group, and bellwether of the corporate sector, posted an 87.9 per cent surge in net profits to 24.4bn pesos ($626m) for 1998 after prominent Filipino businessman Danding Conjuangco returned to the helm. Page 24

**Easdaq eyes stock market listing**
Easdaq, the pan-European stock market that targets growth companies, is raising €18m ($20.34m) from shareholders to get itself a stock market listing within two years. It will be only the second European exchange to become a public company. Capital Markets, Page 30

**Turkish bank sector in poor health**
There is no hiding the poor health of many of Turkey's banks following a squeeze on international lending to emerging markets, an economic slowdown and political uncertainty ahead of elections due in April. Page 22

**Crises threaten Zimbabwe stocks**

The recovery on the Zimbabwe Stock Exchange may well be undermined, as student protests against the attack by President Robert Mugabe (left) on the judiciary, uncertainty over donor support for the currency, balance of payments and a much criticised land redistribution policy combine with fears about this year's tobacco crop to cast a new shadow over the Harare bourse. Emerging Market Focus, Page 42

**ICI loses its lustre for investors**
Imperial Chemical Industries, once the proud icon of British industry with its large bulk chemicals plants, has gone from being the darling of US investors in the 1980s to seeing its share price halve in the past year. Page 27

**US TV networks look to the internet**
Audiences for the US broadcast networks have declined because of the proliferation of entertainment choice. To compensate, entertainment groups have moved into new sectors such as the internet in an attempt to win a slice of the internet viewership. Page 25

**Ban on Indian onion exports eased**
The Indian government has partially eased its ban on onion exports, but the move has incensed farmers. Commodities, Page 32

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## MARKET STATISTICS



# Scania merger talk is played down

**Shares fall as Investor chief says time not right to discuss possible sale**

By Tim Burt and Nicholas George in Stockholm

Shares in Scania fell 12 per cent yesterday after Investor, the controlling shareholder in the Swedish heavy truck manufacturer, played down the prospect of a merger with arch rival Volvo to create Europe's largest heavy trucks group.

Percy Barnevik, chairman of Investor, the main vehicle for Sweden's Wallenberg business empire, said: "The timing is not right to discuss a sale of Scania. Scania can very well remain independent for five, six or seven years."

Scania's most commonly traded B shares fell SKr29 to SKr216, valuing the company at SKr43.1bn ($5.5bn). In the past three weeks, its shares have risen more than 30 per cent following Volvo's surprise acquisition of a near 13 per cent stake in the company.

That move prompted market expectations that Volvo would initiate a shake-out in the global heavy truck industry, particularly given its spending power after this month's decision to sell Volvo Cars to Ford of the US for SKr50bn.

Following Mr Barnevik's comments, Volvo's most commonly traded B shares rose SKr12.50 to SKr223.50 as analysts suggested a deal between the two Swedish truck manufacturers could be some way off, with Volvo increasingly reluctant to overpay for Scania.

Investor, nevertheless, emphasised that it was still considering a number of strategic options for Scania "which could include independence, co-operation or merger". One senior executive added: "We recognise that synergies could be created with other partners."

In spite of Mr Barnevik's cool statement, the company also confirmed it had received a number of approaches concerning Scania in addition to Volvo's. Leif Johansson, Volvo chief executive, yesterday reiterated his ambition to expand aggressively in commercial vehicles. The company, announcing underlying operating profits up from SKr8.42bn to SKr9.01bn, has made clear that it was talking to a number of potential truck partners.

Volvo has also been linked with Navistar, the US truck manufacturer, which yesterday announced first-quarter profits up from $38m to $61m. So far, the North American group has distanced itself from speculation of a tie-up with its Swedish rival.

Mr Johansson declined to elaborate on possible bid or merger candidates. "You will see us do things, but not because there is a need to do things quickly," he said.

Mr Johansson denied that Volvo would itself become vulnerable to a possible takeover bid by failing to recycle the cash from the sale of its car division.

Yesterday's developments came as Patrick Faure, chairman of Renault VI, the car group's trucks division, hinted that the French group could seek an alliance in the small truck market. However, he ruled out an offer for Scania.

Observer, Page 19; Volvo, Investor results, Page 22; Navistar results, Page 26

# O'Neill to take over as chief executive at UK bank

By Clay Harris, Banking Correspondent

Barclays, Europe's fifth largest bank by market value, yesterday said Michael O'Neill, a 52-year-old Bank of America official, would replace Martin Taylor as chief executive.

Mr Taylor's departure in November after differences over strategy with other directors had raised questions about Barclays' direction.

Mr O'Neill's selection was welcomed by the stock market. Barclays shares closed 74p higher at 1420p.

Mr O'Neill, who will be paid £1.7m ($2.8m) in his first year, was chief financial officer of the old BankAmerica until its takeover last year by NationsBank. Since the merger, he has been president of the merged bank's investment management activities.

One analyst in London said the choice was "a braver appointment than people feared it would be", but added: "All we have so far is a name, we don't have a strategy."

Sir Peter Middleton, Barclays' acting chief executive and chairman-designate, said: "He came out top of the list. We did look at internal candidates. We have some very good ones, but they're all very new to their businesses."

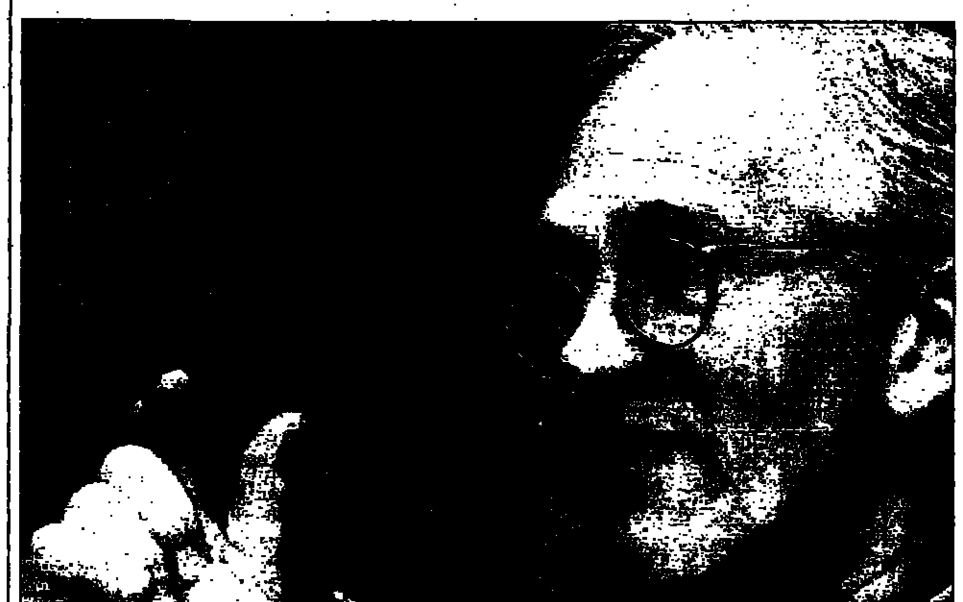
Mr O'Neill will be faced by problems specific to Barclays, such as the future of its investment arm, as well as problems shared by other UK banks, such as banking's expected Europe-wide consolidation.

Barclays is due next Tuesday to report its results for 1998, for which it has already declared a £250m loss on Russian securities trading.

Mr O'Neill was cautious about discussing solutions for Barclays until after he joins on March 26. But he said: "There is nothing we must do if in doing it one destroys value. Conversely, there is nothing one won't do, short of breaking the law, if you can generate a return for the shareholders."

In an unusual move for a UK company, Mr O'Neill has agreed to buy £5m worth of Barclays shares with his own money. The bank will buy a matching £5m portfolio, which will be his if he stays at least three years.

Lex, Page 20



Philips president Cor Boonstra: the next step is to 'raise performance to the best in class' Picture: Reuters

# Philips net profits fall 56% after failed phones venture

By Gordon Cramb in Amsterdam

Philips, the Dutch electronics group, yesterday showed the impact of its aborted entry into the US market for mobile phone handsets, suffering a 56 per cent slide in net profits from operations last year to Fl 1.19bn (€540m, $610m).

But a Fl 10.68bn gain on the sale of its PolyGram entertainment offshoot to Canada's Seagram took attributable earnings to Fl 13.34bn compared with Fl 5.73bn. Stripped of both that credit and the write-offs required on phones and other ventures, profits rose marginally, from Fl 2.71bn to Fl 2.76bn.

Cor Boonstra, president, said he was taking that figure as the basis for a renewed effort to achieve double-digit earnings growth. Although an improvement would not come until the second half, results for the last two years "indicate we can hold our course", he added. The next step was "raising performance to the best in class in terms of profitability and growth", which would take another three years.

Mr Boonstra indicated that the period would bring add-on acquisitions, defining the criteria as "good management, good performance, good fit".

He rejected any purchase in the internet sector, describing prices as outrageous and the operating environment too different from that of Philips's. The group, which emerged from loss two years ago, has been refocusing on consumer-related electronic hardware.

Mr Boonstra said Philips had 16 per cent of the market in mobile phones using the European GSM standard, with sales up 30 per cent last year. The company withdrew from the US handsets market by terminating a year-old joint venture with Lucent Technologies.

The Philips chief gave no indication of when the GSM business would break even, and was equally reticent about the outlook for its flat panel display venture with Hosiden of Japan, which required exceptional charges of Fl 103m.

Revenues were ahead 3 per cent overall at Fl 67.12bn, with volume rises offsetting an average 9 per cent erosion in prices achieved for products. Semiconductors and lighting broadly maintained their profit contribution – which would also have been true of consumer products without the Fl 602m incurred in mobile phone operating losses.

Philips is to redenominate its shares, with par value becoming €1. Jan Hommen, chief financial officer, said this would facilitate a possible further return of funds to shareholders, after they receive Fl 3.3bn in a capital reduction programme due for approval by the annual meeting next month. The dividend is meanwhile being raised from Fl 2 per share to Fl 2.20.

The shares, which initially fell sharply, recovered to end the day 15c higher at €63.05.

Observer, Page 19

TELECOMS CARRIER FORGES DEAL WITH EDS

# MCI sells IT unit for $1.65bn

By Richard Waters in New York

*The computer networking* revolution yesterday produced its latest shake-up among telecommunications and information technology companies as MCI WorldCom agreed to sell its IT operation for $1.65bn.

The cash sale, to the computer services company EDS, marks the US telecom carrier's departure from a business that it once believed would be core to its future in handling data networks for big companies.

However, the rapid changes in the business and the unit's own lack of scale and strong growth eventually led MCI WorldCom to decide to shed the operation.

At the same time, EDS agreed to hand over its own data and voice telecoms business to MCI WorldCom, and the two signed 10-year agreements that would leave each heavily dependent on the other as the era of electronic commerce develops.

The reshuffle signals a belief by both companies that they cannot, individually, supply all the services that corporate customers will need as electronic commerce develops. It follows a similar agreement between AT&T and International Business Machines, which saw AT&T assume IBM's telecoms operations while contracting its systems development work to IBM.

"Anyone who is in the [computer] services business has to be aligned" with a telecoms company to keep up with the rapid development of electronic commerce, said Jeff Heller, *president of EDS. Other* IT services companies, such as Computer Sciences Corporation and Cap Gemini, would have to form similar alliances, he added.

The purchase of the IT unit, MCI Systemhouse, will bring EDS 12,000 employees and a business that generated $1.7bn in revenues last year. MCI will inherit 1,000 EDS employees along with the company's telecoms business.

The two sides added that EDS expected to generate $5bn-$7bn in revenues over the next 10 years by providing IT services to MCI, while MCI expects to get $6bn-$8.5bn in revenues from the EDS voice and data networks.

MCI WorldCom's early lead on the internet was confirmed by the company's latest quarterly earnings yesterday, the first since WorldCom acquired MCI.

Internet revenues jumped by 69 per cent to $2.25bn last year, while data revenues climbed 28 per cent to $5.83bn, the company said.

Along with a 56 per cent increase in international revenues, to $1.13bn, this enabled the company to produce overall revenues of $28.7bn last year, a rise of 17 per cent. The latest growth spurt enabled the company to top Wall Street's expectations with net income of $428m, or 23 cents a share, in the final quarter.

Lex, Page 20

OIL GROUP CHAIRMAN ADMITS HIS JOB IS ON THE LINE

# Shell profits slide 53% in worst quarterly results

By Robert Corzine

Mark Moody-Stuart, chairman of Royal Dutch/Shell, says he expects to be fired if he fails to improve the Anglo-Dutch oil group's financial performance.

Presenting the worst ever Shell quarterly results, Mr Moody-Stuart said he fully expected investors would be "howling for his head" if the troubled company continued its poor performance this year.

Shell announced a 53 per cent plunge in pre-exceptional net profits to $818m for the fourth quarter. That was well below most analysts' expectations. Shares in Shell Transport and Trading, the London-listed arm of the group, closed 6¾p down at 332½p.

Shell's quarterly performance was well below that of competitors such as Exxon, which reported a 30 per cent year-on-year decline.

For the full year, Shell reported a 36 per cent drop in pre-exceptional, underlying profits to $5.1bn, owing to the collapse in crude and commodity chemical prices and tighter refining margins. Full year net profits were $350m ($7.75bn) after special charges of $4.2bn to cover the writedown of impaired assets, redundancies and the cost of the radical restructuring of the group. About half the special charges were attributable to Shell Oil in the US.

Challenge: Mark Moody-Stuart

Mr Moody-Stuart insisted that Shell "was not under financial strain" in spite of the poor results. Its annual cash flow of about $15bn was sufficient to cover the dividend two and a half times – even at today's depressed oil price of about $10 a barrel – while gearing was a modest 20 per cent. Shell T&T's dividend was up 3.1 per cent last year while that of Royal Dutch rose by 3.2 per cent.

He was confident that the group's fortunes could be restored although he acknowledged it would be a challenge. He promised to report regularly on the progress of the company's restructuring.

But he saw little short-term relief from the tough trading conditions that have hit all oil companies over the past year. Although crude prices might rise as non-Opec production fell, it was possible that prices could stay in the $10-$13 range for some time. Underlying exploration and production profits for the full year were down 57 per cent to $1.97bn, with fourth quarter profits of $315m down 72 per cent.

There is a possibility that prices could stay under pressure for the next 2 to 3 years because of growing global capacity and the Asian recession.

Shell's downstream oil products division reported a 1 per cent rise in underlying full year profits to $2.23bn because of volume growth.

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Commodities, Page 32

# COMPANIES & FINANCE: INTERNATIONAL

**AUTOMOTIVE INDUSTRY** CHICAGO-BASED GROUP EXPECTS DEMAND TO REMAIN STRONG

## Booming truck market lifts Navistar

By Nikki Tait in Chicago

Buoyed by the US strong economy and booming truck market, Navistar, the Chicago-based truck and engines manufacturer, almost doubled after-tax profits in the first three months of 1998-99, to $61m, compared with $38m a year ago.

The US group has been mentioned as a possible acquisition target for Volvo if the Swedish group's efforts to acquire Scania are unsuccessful.

Although many analysts have wondered how long market conditions can persist, Navistar also forecast that industry demand would "remain strong" throughout 1999.

Earnings per share more than doubled in the three months to end-January, at 91 cents, up from 42 cents a year ago. This was well ahead of analysts' predictions, which averaged 83 cents, according to the First Call research firm.

But Navistar's shares eased back slightly, by $¼ to $33¾. They have enjoyed an extremely strong run recently – a development attributed partly to the Volvo speculation, although a number of industry-watchers have been sceptical about the deal possibilities.

The company has said consistently – and repeated yesterday – that its policy is not to comment on market rumours.

Navistar conceded that the industry conditions had been beneficial to the results, with the company's total shipments of medium and heavy trucks and school buses rising slightly and giving it a 25.1 per cent market share. First-quarter sales were up from $1.73bn to $1.92bn. Navistar added that its International heavy trucks brand had been constrained by capacity issues, and that this problem was being addressed by an expansion of production at the Escobedo assembly plant in Mexico.

The end of production of the International 9800 model cabover truck at the Springfield, Ohio plant next month should also free up some capacity. Meanwhile, the shift in production of cabover trucks to Brazil was going ahead largely on schedule despite recent economic and financial upheavals in that region. There was still "strong demand" for its trucks in Mexico, and steady sales in Brazil, it added.

Navistar also attributed some of the profits improvement to higher productivity and lower materials costs, as well as more favourable pricing.

Savings from its cost reduction programme, started in 1997, now stood at about $15m, it said. The company, once part of the ailing International Harvester, has been the subject of a big overhaul in the past few years.

Meanwhile, on the engines side, demand was described as "strong".

## Picture for pay television is still no clearer

Talks between News Corp and Canal Plus have confused the outlook in Europe, write **John Gapper and Paul Betts**

The news that Rupert Murdoch's News Corporation has entered talks with Canal Plus, the French pay television group, has again obscured the outlook for pay television in Italy and across Europe.

It has also brought into the spotlight Pathé, the media company that now links Canal Plus to British Sky Broadcasting, the UK pay television company that News Corp founded, and in which it holds a 40 per cent stake.

Last month's purchase of a 24.6 per cent stake in Pathé by Canal Plus and Vivendi, its controlling shareholders, seems to have prompted Mr Murdoch to re-assess his plans to compete against Canal Plus's Telepiù service in Italy.

The Pathé stake gives Canal Plus a bigger bargaining chip with News Corp than it appears, because the shareholders will double their voting rights to 49.2 per cent in two years' time.

They could then wrest control from Pathé's main shareholder and chairman, Jérôme Seydoux. Mr Seydoux is chairman of BSkyB, and Pathé has the right to nominate two directors to BSkyB's board.

It is open to question how far this would get Canal Plus in challenging Mr Murdoch for control of BSkyB, but it certainly provided food for thought when Pierre Lescure, Canal Plus chairman, met Mr Murdoch on Wednesday.

According to some accounts, Canal Plus has pressed News Corp to abandon its attempt to challenge Telepiù in Italy. Mr Murdoch has talked of joining Telecom Italia and other investors to relaunch Stream, the digital pay service.

**'I get the feeling that Rupert feels that pay television will get sorted out in Europe eventually'**

However, people close to the talks say that Mr Murdoch has his own agenda to explore with Canal Plus, rather than simply being caught on the back foot by his opponent. They think he sees the advantages in joining forces.

"I get the feeling that Rupert feels that pay television in Europe will get sorted out eventually, and if you place enough bets around the table, one of them will pay off," says one investment banker.

A combination of BSkyB and Canal Plus would clearly provide the strongest pay television grouping in Europe. While BSkyB now has 7m subscribers in the UK, Canal Plus has spread its services into Italy, Spain and elsewhere.

At the least, this could create what one Italian executive calls "a Yalta pact" not to compete with each other in those countries where they have operations. This would mean News Corp abandoning its Italian aspirations.

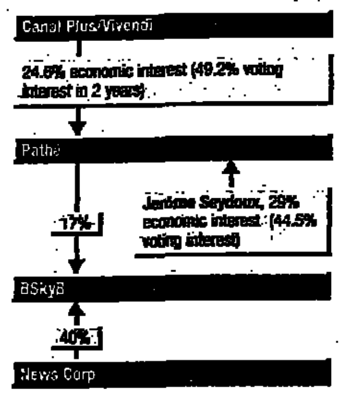
Beyond that, they could join forces in other countries. An obvious area of weakness for both is Germany, where Canal Plus has been trying to sell its 37.5 per cent stake in Premiere, the pay service, to Kirch Group.

The difficulty is that any such co-operation faces enormous regulatory hurdles. Any pooling of interests, or agreement to co-operate, between News Corp and Canal Plus would attract fierce scrutiny from the European Commission.

**Canal Plus**
Subscribers (as at Jun 30 1997)

| | |
|---|---|
| France | 4,982,925 |
| Spain | 1,535,810 |
| Germany | 1,473,111 |
| Italy | 940,236 |
| Belgium | 326,783 |
| Finland, Norway, Sweden, Denmark | 296,999 |
| Netherlands | 173,522 |
| Poland | 166,481 |
| Africa | 110,848 |

Source: Canal Plus




Karel Van Miert, the competition commissioner who blocked the merging of Premiere with Kirch Group's pay television arm, has signalled clearly that he wants to see two competing pay television services in each country.

The implication is that Canal Plus has little to offer News Corp in return for abandoning Stream beyond a promise not to exert influence over BSkyB, and perhaps a minority holding in any merged Telepiù/Stream pay television group.

There is strong political weight in Italy for the merger of Telepiù and Stream, with companies like Mediaset, the dominant terrestrial broadcaster, arguing for a single open platform that could be used by different broadcasters. Apart from this, Telecom Italia's options appear limited.

It could attempt to negotiate a deal with TF1, the French television network controlled by the Bouygues industrial group, or seek a management buy-out.

There were suggestions in Italy yesterday that a management buy-out could eventually lead to the sale of Stream to a group of large international media companies including TF1, DirecTV of the US and Telefonica of Spain.

However, the fate of Telepiù and Stream lies in the hands of Mr Murdoch and Canal Plus for the moment. The Paris talks could also wield enormous influence over pay television services across Europe.

## Fingerhut in agreed $1.7bn takeover

By Andrew Edgecliffe-Johnson in New York

Federated Department Stores, the group that owns Bloomingdale's and Macy's, yesterday launched an agreed $1.7bn bid for Fingerhut Companies, a catalogue retailer with stakes in four internet shopping companies.

Despite Fingerhut's earlier attempts to portray itself as an internet company, it failed to benefit from investor enthusiasm for e-commerce.

Yesterday Ted Deikel, Fingerhut's chairman and chief executive, said the recommended takeover would provide it with the capital to expand its e-commerce efforts more rapidly.

Federated is offering $25 per share in cash, which compares to the closing price on Wednesday of $18⅔, but is below Fingerhut's peak last July of $38⅞. The $1.7bn bid includes about $470m of debt.

James Zimmerman, chairman and chief executive of Federated, said the acquisition would initially dilute its earnings. He added, however, that Fingerhut's infrastructure for filling catalogue and internet orders, coupled with its experience in database management and direct marketing, would provide further growth for Federated's retail brands.

Federated, which has annual sales of $15.8bn from its 400 stores, has made some forays into direct marketing and e-commerce with Bloomingdale's by Mail, Macy's by Mail and the Macy's.com web site.

Fingerhut, with sales of about $2bn, operates the Figi's, Arizona Mail Order and Popular Club catalogues.

US department stores have been looking for new growth avenues, having missed out on much of the surge in consumer spending.

Federated shares were $1⅝ lower at $40⅝ in late morning trading.

### NEWS DIGEST

**MINING**

## Cyprus Amax dividend cut as copper plummets

Plunging copper prices have prompted Cyprus Amax, the US mining group, to slash its quarterly dividend from 20 to just 5 cents. Milton Ward, chairman, said yesterday the decision was "a direct reflection" of the continued weakness in the copper market. He said prices released in January were about 67 cents a lb, almost 20 cents a lb less than a year ago. "In view of the continuing uncertainty as to when copper markets will adjust and prices improve, we believe it is prudent to conserve cash," he said.

CA, which produces copper, coal and molybdenum, added that it was looking at cutting costs further and was limiting capital spending. A similar strategy of reducing dividends to conserve cash was implemented by a number of goldmining companies in late 1997 – with Newmont, the US producer, slashing its quarterly dividend from 12 to 3 cents in October 1997, and Freeport Copper & Gold, following suit a month later.

Earlier this year, Phelps Dodge, another copper producer, reported a larger-than-expected fourth quarter loss, and put part of the blame on falling copper prices. It warned that it could fall short of analysts' expectations in 1999 and, with copper prices trading at 65-75 cents a lb, would probably only operate "near break-even". However, it subsequently declared an unchanged quarterly dividend. **Nikki Tait, Chicago**

**FOREST PRODUCTS**

## MacMillan stages recovery

MacMillan Bloedel, the Canadian forest products company, is showing signs of a turnround despite continued soft lumber prices and weakness in its core Japanese market. The company, which last year sold off its paper and fibreboard businesses and reduced the workforce by 15 per cent, made net earnings from continuing operations of C$37m (US$25m) in the fourth quarter, against a C$5m loss last time. The asset sales allowed it to retire more than C$900m in debt, bringing its net debt ratio down from 51 to 20 per cent.

Excluding special restructuring charges, MacMillan's net earnings from operations in 1998 rose to C$123m, or 94 cents per share, compared with C$20m, or 13 cents per share, in 1997. Average prices on those deliveries dropped 23 per cent in 1998. But MacMillan slashed C$90m from costs, which allowed it to turn a small profit despite depressed lumber prices. **Edward Alden, Toronto**

**PROPERTY**

## TrizecHahn raises cash flow

TrizecHahn, the Canadian real estate group, continued to reap the benefits of its recent office property purchases, recording a 35 per cent increase in cash flow in the fourth quarter over the same period in 1997. Net income rose to $215m, or $1.25 per fully diluted share, from $28.6m or 19 cents a share in the same period last year.

TrizecHahn sold its US portfolio of retail shopping centres last year and has become the most aggressive buyer of office buildings in the US and Canada, spending $2.9bn to add 70 properties in 1998. Rental income on its office portfolio jumped 72 per cent in the quarter. **Edward Alden**

# Seagram sees $266m deficit for quarter

By Christopher Parkes in Los Angeles

Charges related to the acquisition of Polygram and a poor showing in the cinema drove Seagram into a $266m deficit in its second quarter. The drinks and entertainment group yesterday reported a loss of 62 cents per diluted share against earnings last time of 8 cents.

Edgar Bronfman Jr, chief executive, said management issues at Universal Studios were being dealt with, and the division had strategies in place to reduce film production risks.

"The transformation of Seagram is now fundamentally complete," he said, adding that he expected growth in the music business, greatly expanded by the Polygram buy, to continue.

Pro forma cashflow from music rose 17 per cent in the quarter ending 31 December to $81m, as revenues rose 11 per cent to $727m. However, drinks remained the mainstay, contributing 49 per cent of the quarter's total revenues of $3.33bn, and $288m in cashflow – or 84 per cent of the group total.

After Polygram-related charges of $405m and other expenses, the company recorded an operating loss of $219m, after earnings of $231m last time.

Although Universal Studios suffered at the box office, the results statement noted that *Patch Adams* and *Shakespeare in Love*, which this week received 13 Oscar nominations, were showing encouraging results that would have an impact in the second half.

Strategies for minimising the risk from poor box-office results are increasingly common in Hollywood, and include sharing production and marketing costs. *Shakespeare in Love*, for example, is a co-production with Miramax, part of Walt Disney.

Mr Bronfman said he also expected a boost from the opening in May of Universal Studios Islands of Adventure, the group's second Florida theme park.

Mr Bronfman said recently he expected cashflow from theme parks – further increased by an opening planned at Osaka, Japan in early 2001 – to increase threefold by the end of 2003 from this year's expected total of $150m.

# Old hands play new entertainment game

Traditional groups think know-how will see off high-tech threat, writes **Christopher Parkes**

When the final episode of *Seinfeld* was aired on NBC last year, it went out in a blaze of hype which declared it the greatest sitcom on record. The event drew 76m US viewers.

Yet five years earlier, when last orders were called on *Cheers*, the finale attracted 81m, and 10 years before that, *Mash* had bowed out before an audience of 106m.

The reason for this decline in the audiences of the broadcast networks – even more dramatic when the extra 16m homes with TV sets during the intervening 16 years is taken into account – is the proliferation of entertainment choice.

In a forthcoming book*, Michael Wolf, senior vice-president at the Booz Allen & Hamilton consultancy, points out that not long ago it was commonly agreed that the audience had gone to cable. But in truth "it has gone everywhere, and it hasn't stopped going yet".

Bandwidth in its broadest sense, encompassing every medium from entertainment/shopping malls, video game consoles, cable, satellite TV and the internet, has expanded to open thousands of "channels" to entertain and inform consumers.

To varying degrees, leading US entertainment groups have moved into all these sectors, but none has prompted more excitement or angst than the internet, especially since Walt Disney melded its scattered interests into portal keeper Infoseek last June.

Financial anxieties emerged last week when CBS and NBC said they were considering a separate stock market listing for their internet interests. They reasoned that with internet stocks sky-high the sensible way for them to fund future investments in online ventures would be to mint a currency in the form of (it would be hoped) highly-valued shares in their own internet assets.

There was more heart-searching this week, when investors in Lycos protested at the "low-price" terms of the portal's merger with USA Networks.

But whatever the financial terms, the strategic intent behind such manoeuvrings is to win as big a slice of the internet viewership as possible and graft it on to the television audience.

Although tactics vary, the drive is gaining momentum as the conviction grows in the entertainment industry that with the long-awaited convergence of the worlds of TV and the personal computer, the living-room television set will ultimately dominate.

As a prime source of the content without which internet portal companies are ultimately only gateways into the chaos of the web, entertainment groups believe their marketing expertise, hard assets and established profit records that most of their putative partners lack, equip them best to lead the way.

Peter Chernin, president of News Corp's Fox Entertainment group, is betting heavily on this outcome. Although News Corp recently forged a marketing link between its TV properties and the Yahoo! portal, he said this week: "We expect TV will be the dominant element" as the technologies converge.

News Corp, owner of TV Guide, the leading print and on-screen programme listings guide, plans an interactive version which will be the first image to show when a TV is turned on. From there, viewers will be able to surf, browse and shop anywhere on an integrated network of television and internet programmes and services.

"It might well be the most important portal of all, and potentially the most profitable," Mr Chernin said.

The approach of Warner Bros, part of Time Warner, is from a different angle, but the view is the same. A senior executive from its interactive division said recently he envisaged the internet as a natural extension of the group's existing cable and other electronic media, including its WB television network.

While TV is probably at least five years away from being truly interactive, the internet already offers some of the potential to come. According to the Warner Bros thesis, conventional TV advertising and web-based advertising and retailing are but different points on the same "marketing continuum". At all such points, success depends on the content which draws both channel and web surfers.

Changing view: Families are bombarded with entertainment options

By moving into the internet business, the networks are following a path they trod first in the 1980s. That was when ratings erosion by multi-channel cable services started in earnest and the broadcasters, accepting they could no longer be all things to all viewers, joined the cable revolution themselves.

That "if you can't beat them, join them" attitude has now re-emerged, but this time the competition is far sharper than that offered by the homespun cable pioneers of the past. Bandwidth raiders include telecoms giant AT&T, in the process of buying the TCI cable group, and rich computer-age entrepreneurs, from Microsoft's Bill Gates down.

However, the traditionalist entertainment groups believe they can prevail because they have the reserves of content and expertise in consumer marketing vital to keep TV remotes and computer mice clicking. Others think it is too early to say.

Surveying the battleground this month, Roy Salter, a principal at investment bank Houlihan Lokey Howard & Zukin, asked: "What happens seven or eight years from now and we all have internet TV? What happens when every TV gets 200 channels and the internet spreads to an infinite number of channels? It's going to be chaos."

**The Entertainment Economy, by Michael Wolf, Times Books. To be published March 15. $25.*

NEWS DIGEST

...bank considers ...buy-back proposal

FINANCIAL SERVICES

...profits halved

...in the black

...denies merger talk

...better than expected

...to buy Safmarine

...achieves chips first

...market lifts ABN Amro

TELECOMMUNICATIONS GROWTH IN INTERNET USE AND CALLS TO MOBILE PHONES HELPS TO LIFT SHARES

# BT beats market forecasts with £858m

By Alan Cane

British Telecommunications' shares rose sharply yesterday after ringing up significantly better than expected third-quarter results.

BT's performance was attributed principally to strong growth in use of the internet – which now accounts for some 15 per cent of local call minutes – and to increases in revenue from calls to mobile phones.

The UK's dominant operator reported pre-tax profits of £858m ($1.41bn) for the quarter to December 31, down 16 per cent on last time's £1.02bn, but comfortably ahead of analysts' expectations of between £698m and £792m.

Last year's figures had been inflated by a break-up payment from MCI following the end of BT's merger negotiations with the US group.

BT shares rose 11 per cent, from 908p to £10.09¼, pushing other UK telecoms stocks upward. Cable & Wireless Communications rose 3 per cent to 743¼p, Energis 6.4 per cent to £14.57½ and Vodafone moved up nearly 3 per cent to £10.93¾.

Analysts point out that internet penetration, the proportion of the population making regular use of the internet, is only about 12 per cent compared with more than 20 per cent for mobile phones and close to 100 per cent for colour television.

They see potential for substantial further growth.

Although the telecoms regulator has demanded cuts in the cost of calls to mobiles, overall growth in the mobile phone business will more than compensate for price reductions.

Group turnover grew 8.5 per cent during the quarter, the best since 1990, to reach £4.27bn. Including the company's share of joint ventures, the total was £4.68bn, a growth rate of 14.7 per cent.

Earnings per share, fully diluted, amounted to 9p compared with 11.1p.

Inland call volume rose 8 per cent on a 12 month moving average basis compared with 6 per cent for the previous year. International call volume, measured on the same basis, rose from 8 to 9 per cent, although there was a decrease in turnover of 5.8 per cent in the first nine months of the year as pressure on pricing continued to grow.

Sir Peter Bonfield, BT chief executive, said he expected approval for the group's proposed joint venture with AT&T of the US within the year.

He said there had been no suggestion that regulators had yet found anything to forbid the deal and there was "no major groundswell in the industry" against it. Some 200 BT staff were working on the venture.

He said BT would continue to seek investment possibilities in the liberalising Asian markets. He reiterated, however, that BT was not talking to Securicor about buying its minority stake in Cellnet.

Sir Peter added that he was in favour of a "fair and open" government auction for third generation mobile licences, and had reservations about favourable treatment for new entrants in the bidding.

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# Buoyant Capita calls for braver benefits reform

By Susanna Voyle

Capita, one of the UK's largest outsourcing companies, yesterday urged the government to be more radical in its reform of the social security benefits payment system.

Announcing a 48 per cent increase in annual pre-tax profits to £27m, Rod Aldridge, executive chairman, said the Benefits Agency needed to shake up its back-room operations.

"This is an area where it would be hugely beneficial for the government to be braver than they have been in what it is possible to achieve through outsourcing," he said.

Yesterday's results, which included £270m ($440m) of contracts, underline the continuing rapid growth of outsourcing in the UK – from central government, local authorities and the private sector.

Capita is involved in a wide range of outsourcing. It runs the pay and pensions operations of the Metropolitan Police, the theory part of the driving test and yesterday announced a £10m, five-year deal to run Railtrack's safety certification agency. Along with rivals EDS and Sema, Capita is also involved in advising the government on social security reform.

Mr Aldridge said the Labour government had adopted a more imaginative approach to outsourcing than its Tory predecessor. However, he believed there was some way to go at the Department for Social Security. He wanted to see much of the Benefits Agency outsourced and the co-ordination of the payment of national benefits with those made by local authorities.

Turnover in the year to December rose 37.5 per cent to £238m, which included an £11.9m acquisitions contribution. The 63 per cent increase in new contracts over the previous year includes £92m from the private and independent sectors, which have traditionally lagged behind the public sector in outsourcing.

Paul Pindar, chief executive, said the group had reached such a size that it was starting to benefit from real economies of scale. The consolidation of data centres, procurement initiatives and voluntary redundancies were bolstering the growth achieved by winning big contracts.

He said the group was now able to pick the contracts it wanted to take on – shedding lower margin work and focusing on the higher quality end of the outsourcing market.

Operating profit rose from £16.8m to £26.75m as operating margins jumped from 9.72 per cent to 11.2 per cent.

The final dividend of 1.9p takes the total to 2.8p, a 33 per cent rise – and will be payable from earnings per share of 9.01p (6.51p).

The shares – which had risen sharply in the run-up to the results – fell 21p to 640p on profit-taking.

# Cookson cuts 700 jobs in restructure plan

By Michael Peel

Cookson, the engineering group, yesterday said 1998 pre-tax profits would be at the top end of expectations, but warned it was too early to say that trading conditions in the sector had improved.

The group's trading statement, which also included news of an extensive restructuring programme involving 700 job losses, sent its shares more than 9 per cent higher.

But analysts said the price rise was an over-reaction from investors looking for signs of good news in the engineering sector. In common with other UK engineers, Cookson's share price collapsed last year on worries about the effects of slowing world demand and the strength of the pound.

The group said pre-tax profits for 1998, excluding exceptional items and goodwill write-offs, would be about £150m ($246m), compared with £176.4m. Analysts had forecast 1998 profits of about £145m after Cookson issued a gloomier-than-expected trading statement in November.

But the group, which has large electronics and ceramics divisions, said it would be wrong for investors to see the announcement as evidence that customer demand was rising once again.

"What we don't want to say is that things are back," said Stephen Howard, group chief executive.

The cost-cutting programme follows attempts by Mr Howard, chief executive since October 1997, to slim down the group, which has a market capitalisation of about £970m. Mr Howard has overseen the sale of Anzon, Cookson's fire retardant additives operation, as well as the group's half share in Cookson Matthey Ceramics.

Cookson said the restructuring would affect operations at 30 of its manufacturing and distribution centres and would result in the loss of about 700 jobs, or 4.5 per cent of the workforce. The group would make savings of £8.5m in 1999 and £14.5m a year from 2000.

Cookson said the restructuring would cost £29.5m, and that the assets of the businesses involved would be written down by £35m.

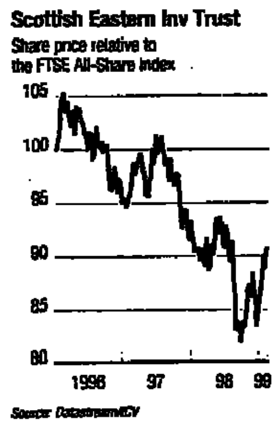
The group will include £49.5m of exceptional costs in its 1998 results and £21m the following year. It expects the reorganisation to be completed by the end of the year.

Analysts said Cookson's decision to restructure showed that engineering concerns needed to cut costs for profits growth. They expect other engineers to announce reorganisations this year.

One analyst said Cookson's restructuring might indicate that it was worried about a takeover attempt from a US predator attracted by the low multiples of many UK engineers. Cookson's shares, which rose 12p to 140½p, are well below their 1998 high of 278½p.

## COMMENT

# Investment trusts



Scottish Eastern Inv Trust
Share price relative to the FTSE All-Share Index
Source: Datastream/ICV

The investment trust sector has a new motto: it is good to shrink. Of the sector's £60bn ($98n) equity, 60-70 per cent is in the hands of institutional investors, and many of them want to reduce their holdings. Such an overhang has made it an uphill struggle for funds to reduce discounts to net asset value of 15 per cent or more. Hence the mounting corporate activity: share buy-backs, wind-ups, bids – all picking away at the sector's 300 constituents. Scottish Eastern yesterday came up with a neat combination. Shareholders can cash out – and many will – or choose between two successor investment vehicles. It has confronted two problems, giving shareholders sticks with which to beat other trusts that are dragging their feet over reconstruction. The first is its £160m of long-term debt on high interest rates. The cost of repaying this debt accounts for nearly 7 percentage points of the shares' 15 per cent discount to net asset value, but it is still worth doing. The second is the pool of unquoted investments, which have been ring-fenced and will be realised over time to avoid fire-sale prices. One radical choice Scottish Eastern eschewed was to change its fund manager, Martin Currie, after more than a year of weak performance. Even retail investors, for whom investment trusts are cheap and tax efficient, will be just as bothered about the underlying performance as the discount to net assets.

### British Sky Broadcasting

Not quite everything is going British Sky Broadcasting's way these days. The pay-television operator's bid for Manchester United looks to be having a rough time in the corridors of the Monopolies and Mergers Commission. But the Independent Television Commission, which acts as regulator for commercial broadcasting, has not made a particularly strong case for blocking the bid. It is hard to see why the acquisition of sports clubs by media companies should be treated differently from other types of "must-have" content. And the argument that having "tied" football clubs at the negotiating table would prevent the possibility of a competitive auction for Premier League rights seems weak given the League's one-club one-vote structure. Still, the ITC's position lengthens the odds against the bid's clearing the penalty area.

# Powderject shares rise on Swiss deal

By Lucy Smy

Shares in Powderject, the UK drug delivery company, rose 23 per cent yesterday on news of its $100m collaboration with Ares-Serono of Switzerland to develop fertility and immunology proteins in powder form for needle-free injection.

"It is overwhelmingly exciting," said Genghis Lloyd-Harris, at CSFB. "Could we see shares up 25 per cent in the next year? It is a distinct possibility. Could we see them up 50 per cent? It is not stretching credibility too much."

Powderject also announced a 1-for-8 £52m placing and open offer, at 670p a share, to fund the development of three conventional vaccines for influenza, hepatitis B and tetanus into powder form. The shares jumped 163p to 870p.

Powderject has patented a way of delivering vaccines and drugs into the upper levels of the skin at supersonic speed, painlessly and without using a needle. It believes the system creates a stronger immune response as well as being easier to use than a syringe.

Ares-Serono, a world leader in fertility drugs, has agreed to make a $10m equity investment at 685p a share, further up-front payments of $1.1m, and a series of milestone development payments and licence fees which could exceed $90m during the next three years.

Further payments would come as a percentage of sales as the products come to market over the next five years.

Powderject, which lost £4.5m pre-tax in the year to March 1998, does not expect to break even until 2002.

# Fall from grace of a market darling

ICI's focus on speciality chemicals has yet to pay off, writes **Deborah Hargreaves**


Imperial Chemical Industries, once the proud icon of British industry with its large bulk chemicals plants in the UK's industrial heartland, now hardly ranks as a key figure. The company's strategy has been questioned and its debt has overtaken its market capitalisation.

ICI has gone from being the darling of US investors in the 1980s, when it had a strongly performing drugs division – since spun off as Zeneca – and chemicals were riding high, to seeing its share price halve in the past year.

Brendan O'Neill, who is to take over as chief executive from April, faces a tough test this year to get the company's strategy back on track after several large deals were blocked by US regulators.

Two years ago, ICI decided to sell its traditional, commodity chemicals base which was so dependent on the economic cycle, and focus on higher margin speciality chemicals. Most of its original businesses are up for sale – the company has even put its Gothic castle, a symbol of its roots in British industry, on the block.

As part of its new focus, the company bought the speciality chemicals division of Unilever, the consumer products group, in mid-1997, paying £4.9bn at the top of the economic cycle.

This acquisition saddled the company with a high level of debt which it planned to pay off by selling some of its bulk chemicals operations. It aimed to raise £5bn from disposals by mid-2000 but to date has managed £3.5bn.

ICI was dealt a double blow when deals to sell two divisions were separately blocked by US regulators.

In January, objections from the Federal Trade Commission scuppered the £598m deal to sell its titanium dioxide businesses, which make white pigment for paints, to Du Pont and NL Industries of the US. The planned sale of its Crosfield division to WR Grace, the US chemicals producer, was turned down in October.

This left ICI with debt of £4.1bn ($6.7bn) compared with its market capitalisation of £3.9bn ($6.4bn). Its share price has collapsed from a high of £12.44 last May to 545p yesterday.

"They gambled high and for high stakes. The company's strategy is sound, but they have been unlucky with the timing," said Martin Evans, at Sutherlands, the London stockbroker.

ICI was slower than rivals to appreciate the depth of the problems that hit Asia last year, and underestimated their impact on other markets. Confronted by these growing problems, ICI was forced to make an embarrassing profits warning last July. Earlier some analysts had predicted pre-tax profits of more than £1bn for 1998. In the event, the company fared even worse than in 1997, making a profit of £321m, down from £385m.

Ironically, it was the titanium dioxide operations that put in a strong performance during 1998 when prices recovered somewhat, but losses from its mainly UK-based industrial chemicals depressed the overall figure. It has failed to find a buyer for these businesses even though they have been for sale since mid-1997.

"Commodity chemicals can be a good business if you are committed to it and a world leader, as long as you are prepared to ride out the cycle, but that is difficult with debts of over £4bn," Mr Evans said.

ICI's new core businesses include perfume ingredients, food flavourings and paint, with strong international brands such as Dulux paints. But the speciality chemicals tag can be a misnomer: "It's not as glamorous as it sounds and can be affected by the commodity cycle, although less prone to the down-swing," Mr Evans said.

Although the London stock market has heavily marked down ICI's share price, it is highly rated compared with other European chemicals companies. The stock is trading on a p/e ratio of 19 compared with a London average of 15 and a ratio of 13 for German companies BASF and Bayer.

The stock has fallen from favour as a bell-wether of British industry, but 35 per cent of the company is still owned by US investors.

Mr O'Neill, who joined ICI last year from Diageo, the UK-based food and drinks company, needs to prove to the market the company can live up to expectations. "I'm 110 per cent behind the strategy," he said last week. He now has to make it work.

# First-quarter sales 40% up at Airtours

By Elizabeth Robinson

Airtours, the UK's second largest tour operator, yesterday showed the benefit of the millennium build-up, reporting New Year holiday sales up 20 per cent on last time. The increase contributed to a "successful start" to the current year, with turnover in the first quarter rising 40 per cent to £707.8m.

David Crossland, chairman, attributed the jump in sales in the three months to December 31 to acquisitions, but added: "During the quarter we have seen an improvement in the results from our underlying businesses."

In the first quarter, when the group traditionally incurs a loss, the pre-tax deficit deepened from £17.3m to £19.4m.

Airtours blamed the downturn on winter losses from businesses acquired the previous year, such as Direct Holidays, Bridge Travel, Cresta Holidays and Panorama Holidays. Like-for-like profits increased, it said, on higher prices and volumes.

Analysts were encouraged that Airtours appeared to be tackling its problems in Scandinavia.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Airtours | 3 mths to Dec 31 | 707.8 | (504.5 ) | 19.4L | (17.3L ) | 3.1† | (3.16L ) | - | - | - | - | 7.5 |
| Armitage Bros | 28 wks to Dec 13 | 14.8 | (15.2 ) | 1.15♠ | (1.07♠ ) | 20.8 | (19.3 ) | 3.4 | Apr 14 | 3.3 | - | 7.9 |
| BT | 9 mths to Dec 31 ★ | 13,326 | (11,930) | 3,459♥ | (2,584♥) | 37.5† | (20.1‡ ) | - | - | - | - | 19 |
| Capita | Yr to Dec 31 | 237.8 | (172.9 ) | 27 | (18.3 ) | 9.01† | (6.51 ) | 1.9 | Apr 29 | 1.4 | 2.8 | 2.1 |
| Ion Business | Yr to Nov 30 | 37.6 | (32.5 ) | 7.61 | (6.33♠ ) | 8.23 | (6.76 ) | 1.85 | Apr 16 | 1.25 | 2.525 | 1.875 |
| Royal Dutch/Shell§ | Yr to Dec 31 | 138,274 | (171,657) | 350♠ | (7,753♥) | 0.5 | (17.8 ) | 8.2 | May 14 | 8 | 13.5 | 13.1 |
| RPS | Yr to Dec 31 | 26.3 | (20.5 ) | 5 | (3.76 ) | 16.16 | (12.23 ) | 2.75 | May 11 | 2.5 | 5.5 | 4.8 |
| Waco | Yr to Dec 31 ★ | 184 | (268.9 ) | 41.7L♠ | (76.4L♠) | 58.4L | (100.1L) | nil | - | nil | nil | nil |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Britannia Smaller | Yr to Dec 31 | 157.72 | (185.2 ) | 0.815 | (1.29 ) | 2.03 | (3.2 ) | 1.85 | Apr 1 | 1.2 | 2.05 | 3.2 |
| Fleming Claverhouse | Yr to Dec 31 | 435.2 | (388.7 ) | 27.6 | (50.8 ) | 6.66 | (7.21 ) | 2.65 | Mar 1 | 2.45 | 7 | 6.8 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡After windfall tax. §Turnover and profit stated in dollars; earnings and dividend figures refer to Shell Transport and are stated in pence.

MARKETING TELEPHONES

# Hold on, we'll play a tune

Customers can find voice messages aggressive and down-market, but serenading on-hold callers tastefully can be good for business, finds **Richard Tomkins**

Looking for a way to get rid of those pesky customers? One highly effective method is to put them on hold when they telephone your business and infuriate them with a voice message telling them what they already know – that the lines are busy.

On the other hand, says a report published this week, businesses wanting to increase sales can greatly improve their chances by serenading on-hold callers with music, especially if it is something melodic and easy on the ear.

Considering the amount of time businesses expect telephone callers to spend on hold, it is surprising how little imagination is applied to the relatively simple task of keeping these potential customers happy while they wait.

In the US, seven out of 10 calls are put on hold, and the average business person spends an estimated 60 hours a year in telephonic no man's land.

Yet many companies offer on-hold callers nothing more than silence or a repeated voice message, devices that seem more likely to enrage than endear.

In the UK, three psychologists – Adrian North and Jennifer McKendrick of Leicester University and David Hargreaves of Durham University – have conducted an experiment to see if music makes people more likely to hold on.

According to their findings, published in the British Journal of Psychology, it does – by a wide margin. Callers were prepared to wait 20 per cent longer if entertained by the old Beatles hit *Please Please Me* than if left listening to a repeated message saying: "I'm sorry, the line is busy. Please hold."

Mr North says callers found the voice messages aggressive and down-market, affecting their image of the company called. "Music is easier on the ear, and well-chosen, enjoyable music can help shape a customer's image of the company called," he says.

The power of music to influence emotions and behaviour is well known. As long ago as the 1920s, Muzak of the US started supplying recorded music to soothe the nerves of people using a new invention called the elevator.

These days, retailers commonly use music to set the tone of their stores and to encourage shoppers to linger longer. In a previous experiment, Mr North found that playing French accordion music in a supermarket greatly increased sales of French wine.

In the US, however, Seattle-based Muzak and other companies providing music services have already moved on from the idea of offering music alone to telephone callers. They say the fastest growing part of the on-hold business is on-hold marketing: that is, combining music with messages promoting a company's brand, products or services.

**'Enjoyable music can help shape a customer's image of the company called'**

Cable television companies, for example, use on-hold marketing to advertise forthcoming movies and hotels describe conference facilities.

On-Hold International, an on-hold marketing company based in Tampa, Florida, says a typical four-minute programme comprises 15-second segments of music alternating with 15-second voice messages, during which time the music fades into the background. The switch from one to the other helps relieve the monotony.

Donald Rich, the company's founder, says messages that leave the caller informed and entertained work better than those that deliver a hard sell. "It should not be overtly a selling tool. It should be a customer-relaxation, you-are-important-to-us thing."

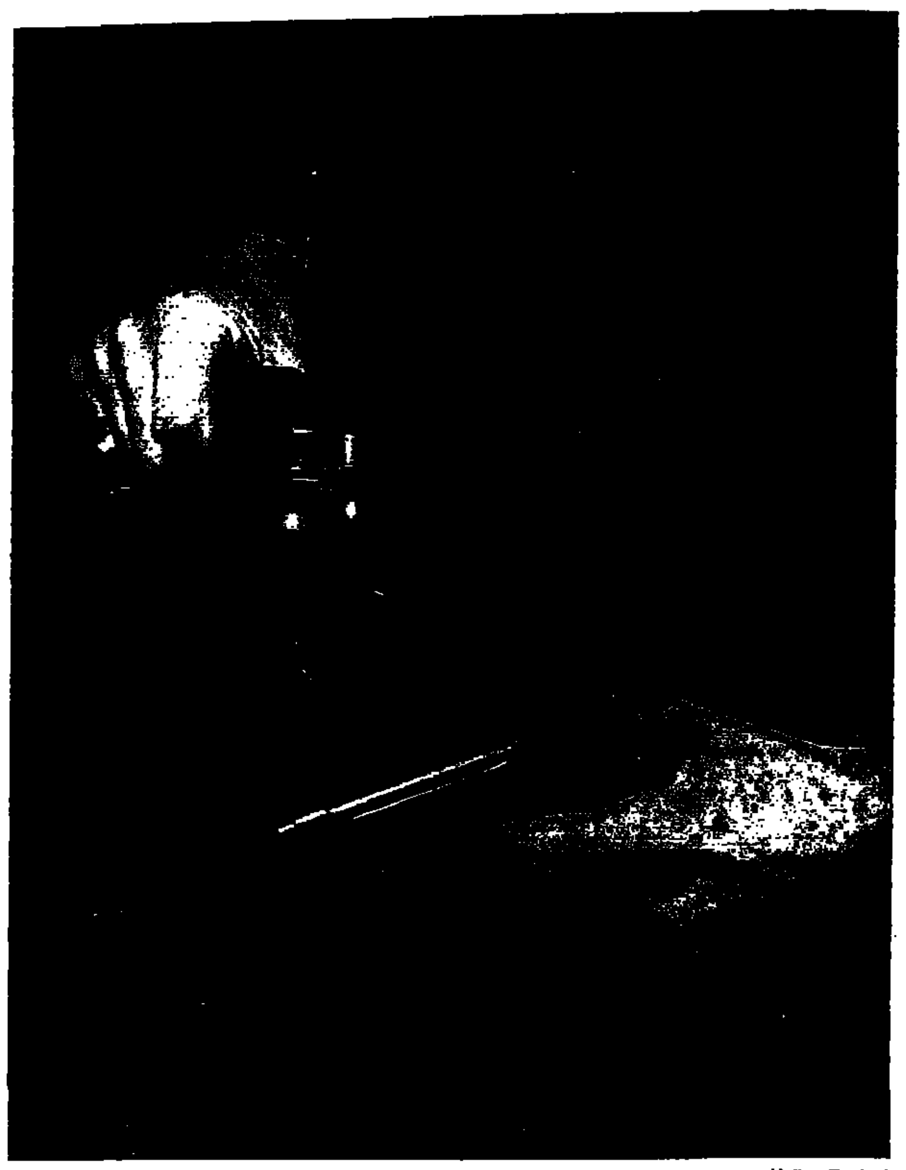
According to Muzak, an independent study in the US found that silence made 60 per cent of on-hold callers hang up, and a third of them did not try to call again. Muzak claims its on-hold marketing programmes, combining messages with "brand-enhancing" music, reduce hang-ups by up to 50 per cent and boost sales by up to 20 per cent.

Even so, not all music works well on the telephone. According to Mr North, music affects a part of the brain called the recticular activating system that deals with arousal and people's levels of awareness. The music that works best is the easy-going kind that causes moderate levels of activity in this part of the brain.

For maximum effect, the music should convey a message in keeping with the company's image. According to the usual stereotypes, classical music says "affluent, up-market, intelligent," while pop music says "youthful, accessible, fun".

Surprisingly, warns Mr Rich at On-Line International, one kind of music that does not work well is piano. "Anything high-pitched sounds terrible over the telephone," he says. "It's like sticking a screwdriver in your ear."

Mr North says the worst music of all is complex atonal music, which tends to overload the recticular activating system and cause annoyance. In an experiment testing the effects of this kind of music in a cafeteria, he says, "one man threatened to hit me unless I switched it off".

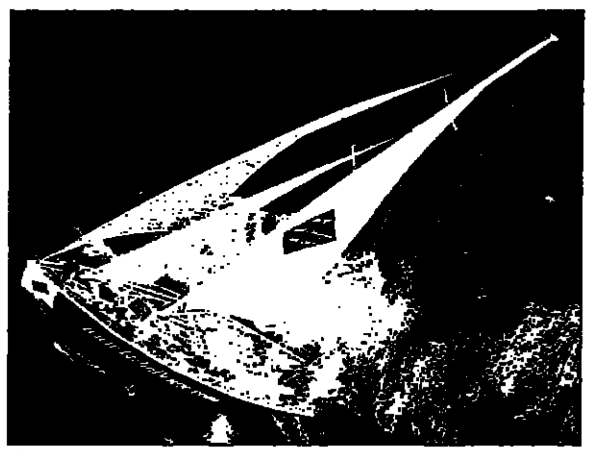


Phone rage: US businesspeople spend an estimated 60 hours a year on hold Hulton Deutsch

TECHNOLOGY BOATBUILDING

# A flat pack boat to China

Selfjigging ship kits may turn Zuahahi into the Cowes of the far east, says **Keith Wheatley**



New wave: the first of the boats built for next year's race

Sir Chay Blyth's round the world yacht races, crewed by paying volunteers and with the boats sponsored by big corporations, have been considerable successes in both sporting and business terms.

His final challenge for the next race, the BT Global Challenge starting in September 2000, has been to secure greater international involvement in what has hitherto been a largely British event.

Part of that philosophy involves creating the 72ft steel yachts as "flat-pack" kits that can be assembled anywhere in the world, yet remain identical to the others in the 14-strong fleet.

Sir Chay has just announced that the first two yachts in this programme will be built in Zuahahi, southern China, not previously renowned as the Cowes of the far east.

"It has always been our intention to build some of the yachts outside the UK," says Sir Chay. "The unique design characteristic will ensure that the competing boats can be built to uniform standards of quality anywhere in the world.

"From the perspective of The Challenge Business as race organisers, there are many advantages to building part of the fleet in China – levels of skill and dedication in the workforce are second to none. The venture also provides a platform from which TCB can approach potential race sponsors in China and Hong Kong."

The new process is known as self-jigging ship kits. Each yacht hull, deck and interior is reduced to 510 separate steel components by a custom software programme developed by the specialist marine agency J.M. Design.

"Boat builders are beginning to trust computers and recognise the benefits they bring – no marking out, no cutting, and in the case of self-jigging kits, no setting up of the parts supplied by the client," says Jim Moore, head of J.M. Design.

"With boat shape and its quality controlled by the kit not by individuals, labour costs are greatly reduced. The boat will be built at least 20 per cent faster, with even greater speeds for subsequent repeat builds." The components are created by British Steel Distribution at its Leeds plant, using advanced CNC laser and plasma cutting techniques on stainless and mild steel materials. Advanced "nesting" software maximises the number of items obtained from each steel sheet and reduces wastage.

According to BSD the technique is as applicable to more workaday vessels as it is to racing yachts. Fishing craft, workboats, ferries, naval small craft up to 40m and even canal narrow boats can be created as kits and built anywhere. There is even the capacity to modify the programme according to the building space available.

The size of the kit parts can vary widely to suit the space available. The first BT yacht components have recently reached China and four more staged deliveries are expected before completion in January next year.

During construction there will be monthly visits from a marine surveyor and a representative from The Challenge Business to monitor quality.

"Even the slightest discrepancy in weight distribution or fairing [hull smoothness] could give one competitor an unfair advantage. We wouldn't be using the system if we weren't certain it could deliver totally identical yachts," says Sir Chay.

British Steel sponsored the first Global Challenge in 1992/3.

RALPH ATKINS
**FILE FROM BONN**

# Carnival and fruitcakes

Over the next few days being silly will become compulsory as the Rhineland abandons itself to raucous celebrations

Who says Bonn is boring? Yesterday, *Weiberfastnacht*, no right-minded businessman would have worn a tie, for fear of it being sliced off by women exercising their traditional right to a pre-planned day of anarchy. By tonight the streets will be filling with Bonners dressed in gold-tasselled military uniforms and silly wigs, civil servants wearing false moustaches, and housewives with clowns' red noses.

On Monday, the entire city will take the day off for a grand parade in which tons of sweets will be thrown to over-excited children from tractor-hauled floats that process around the town. Only the most staid will not be in fancy dress.

Carnival in Catholic Rhineland has its own particular scale, thoroughness and precision. The biggest show will be in Cologne, where more than 1m are likely to be attracted to Monday's *Rosenmontag* procession. But the much-smaller city of Bonn will have its share of the fun, perhaps drawing 200,000 spectators – and it has caught the eye of the camera teams based in the university city that is still seat of Germany's federal government.

Earlier this week it was a slightly bewildered chancellor Gerhard Schröder – whose roots are in Hanover, north Germany – who received Bonn's carnival prince and princess. (Although Uwe-Karsten Heye, the government spokesman, insisted beforehand that, "the chancellor's sense of humour is rather large.")

This year there may even be a little extra abandon in Bonn's celebrations. In a few months, the federal government moves to largely carnival-free Berlin. To those foreigners moving as well (that is, those who have not been steeped for at least a decade in this part of Germany's peculiar carnival traditions) this may be a relief. It can be a bit much. From the moment the first pink, frizzy wigs start appearing in supermarkets after new year, the celebrations seem increasingly regimented, crass and predictable. It is hard to escape: being silly becomes compulsory.

But perhaps that is too cynical a view. The level of wit can be refined and clever – but difficult to follow for those unfamiliar with the particular dialect. Moreover, carnival is a social vent. It originates from pre-Christian spring celebrations, then became a pre-Lent party. "We make ourselves colourful, the winter is over. We're witches, we're fools," says Horst Bachmann, president of the Bonn carnival committee.

Carnival also has an important role in cocking a snook at authority. In the last century it became a vehicle for mocking French occupying forces or the militarism of the Prussians, who allowed carnival to continue as a way of letting off steam in a disciplined manner. Many of those participating in the parades fall into mock marching corps; their uniforms deliberately pompous and festooned with medals.

Now the revellers mock the government, with giant caricatures on many of the floats. This year, Oskar Lafontaine, the ambitious new finance minister and chairman of the ruling Social Democratic party, will feature heavily. So too will Jürgen Trittin, the Green environment minister who is attempting to close the country's 19 atomic power stations.

It is about humbling the mighty in a Shakespearean fashion. "In the world of the nobility, there has always been the role of the jester," says Mr Bachmann. "The jester had the function of organising the entertainment. But he was also the only one who could tell the potentate the truth. The jester was the wisest."

Carnival thus fulfils a gap in a country short on good satire, where politicians are taken too seriously. You have to take your silly hat off to John C. Kornblum, the US ambassador in Bonn. He was this year's winner of the "award against deadly seriousness" awarded by carnival organisers in Aachen. In his acceptance speech – delivered dressed as a cowboy – he ridiculed German (and Europe's) love of regulations and bureaucracy with a verve quite impossible on any other occasion. Which is why it is, perhaps, encouraging that carnival is becoming more active in largely Protestant Berlin. At the moment there are 21 carnival associations in the new capital city – but no *Rosenmontag* procession and little help from the local government.

Could the carnival tradition really be transported to Berlin alongside ministerial filing cabinets? Reinhard Muss, president of the Berlin carnival club, is hopeful the thousands of civil servants arriving from the Rhine area will give the tradition a kick-start in Prussia's heartland. "They like a laugh just as much as the rest of us. They enjoy a party," he says.

But actually it is not the civil servants that make carnival tick. More it is the local businessmen in the Rhineland area with the money and time to sponsor floats. None of the organisers draw a salary – they even pay for the sweets thrown from the *Rosenmontag* procession.

Civil servant and diplomat families are less likely to nurture the carnival traditions. "When the children come from families that can't speak the dialect, and their teachers come from somewhere else, then neither the parents or the schools can pass on the customs," says Mr Bachmann of the Bonn carnival committee.

So even after the seat of government moves to Berlin, the real carnival aficionados will have to return to Bonn for an annual fix. Rhinelanders' role as the nation's fruitcakes is safe.







TECHNOLOGY MASSAGERS

# The personal touch

**Geof Wheelwright** examines the appeal of handheld electric devices for weary executives

Easing away the aches: the Thumper Mini Pro 2

You have had a hard day's travelling. Your shoulders ache from carrying heavy briefcases and notebook computers. When you arrive at your hotel, you see a sign touting the joys of "in-room" massage. Yet it looks like more than a massage is on offer.

But you need not worry. You have your own "personal masseuse" accompanying you – in your briefcase. Handheld, electric massagers are becoming an increasingly popular item for travellers, with a number of new, quite sophisticated models becoming available.

They have already achieved widespread acceptance in both Japan and the US, with products available from mainstream consumer electronics companies. In Tokyo's Akihabara electronics market, for example, you can buy the Panasonic EV292W two-speed handheld massager with "rolling massage action" and a "reach easy design". In the US, it sells for less than $60 as the Panasonic Reach Easy Cordless Massage.

At The Sharper Image retail chain, meanwhile, you can buy a "computerised Shiatsu" massager with remote control, which allows you to adjust the style of your massage without having to interrupt it, for $129. Using the cordless remote control, you can reverse direction, add vibration at either of two speeds, or use a "programmed massage".

But you do not have to live in Japan or the US to buy one of these massagers. Many high-tech gadgets shop are starting to offer them from worldwide web sites. At the AHC Products site (*www.4yourback.com/thumper.htm*), you can buy the Thumper Mini Pro 2 Massager.

It was developed by Canadian chiropractor Ed Noble, although an article about the product in Time Magazine questioned its effectiveness and suggested that it simply "temporarily masks back pain with a more powerful sensation".

The makers of this product also appear to be good at making what might seem like a drawback into a virtue. You might think that travellers would want a lightweight, portable massager – but this is apparently not the case for users of the Thumper Mini Pro 2.

The company boasts that its "two anatomically designed spheres pivot up and down from 20 to 40 times per second", and that the device doing so weighs 3lb. "No need to press down," the products' promoters say. "[The] 3lb weight provides all the necessary force." The Mini Pro Thumper Massager sells for around $229.

None of these electronic massage gadgets are likely to match the real thing, as they lack the sensitivity to distinguish between tense muscle and bone, for example. Like all battery-operated machines that promise "instant relief", there seems to be a limit to what they can provide.

## EURO PRICES

### EQUITIES

# Earnings figures give Europe good news

**EUROPEAN OVERVIEW**

By Vincent Boland

European stock markets yesterday recovered some of the ground lost earlier in the week as worries receded about a possible rise in US interest rates.

There was even some good news on earnings from companies reporting third-quarter results, dispelling some of the pessimism surrounding the outlook for European figures throughout 1999 and into next year.

Striking a positive note on the earnings outlook, Hill Samuel Asset Management said it expected European earnings to be "relatively resilient going forward", supported by the recent wave of mergers and acquisitions.

"Almost immediately the cost savings from these developments will start feeding into profits," the fund manager said in its February report on world markets.

"Interest rates remain low and equities are relatively cheap compared to bonds given the current level of earnings expectations."

The broad markets climbed about 1.5 per cent, although most activity was in the heavyweight stocks and traders said there was little of that interest trickling down to smaller companies.

The FTSE Eurotop 300 index rose 16.32 to 1,181.18 and the FTSE Eurotop 100 index rose 39.36 to 2,703.05. The FTSE Ebloc 100 index of euro-zone shares gained 10.85 to 982.35.

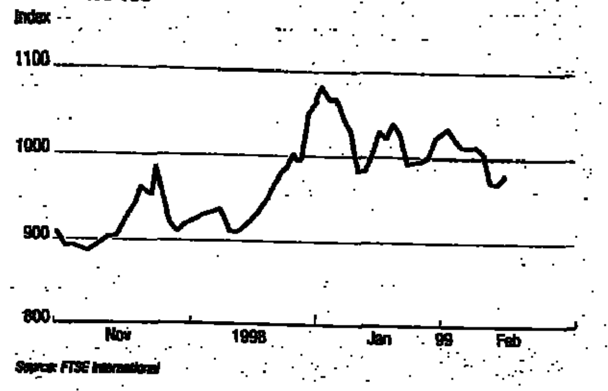
Telecommunications stocks were the star performers and the sector rose 4.5 per cent. It was helped by a big jump in British Telecom, which gained €1.60 to €14.46 after reporting impressive figures. France Telecom added €4.30 to €80 while Deutsche Telekom gained €2.20 to €36.60.

BSkyB rose 40 cents to €7.31 after it emerged that it was in talks with Canal Plus, €14.50 higher at €284.90, on a possible pooling of their pay television interests to create a dominant player in the European field.

Accor led the leisure sector higher, the hotels group adding €13.40 to €219.40, again after bumper profit figures. Ladbroke, which is buying its smaller rival Stakis, added 10 cents to €3.80.

Pirelli closed 20 cents higher at €2.67 on speculative buying, while Fiat sparked a Milan rally, gaining the same amount to €2.92.

**FTSE Ebloc 100**



Source: FTSE International

**THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

**THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

**THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate**

| Strike Price | Calls Mar | Calls Jun | Calls Sep | Calls Dec | Puts Mar | Puts Jun | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

**FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

**EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point**

[illegible]

### OTHER INDICES

| | Feb 11 | Feb 10 | Feb 9 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DJ Stoxx 50 | [illegible] | | | | | | |
| DJ Euro Stx 50 | [illegible] | | | | | | |
| MSCI Europe | [illegible] | | | | | | |

Source: Financial Times Information. [illegible]

### FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

| Feb 11 National & Regional Markets | Euro Index | Day's % | change points | Yield gross % | xd adj ytd | Total retn (Euro) € |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 1181.18 | +1.40 | +16.32 | 2.30 | 0.55 | 1218.80 |
| FTSE Eurotop 100 | 2703.05 | +1.48 | +39.36 | 2.34 | 1.61 | 969.57 |
| FTSE Ebloc 100 | 982.35 | +1.12 | +10.85 | 2.12 | 0.39 | 997.53 |
| FTSE EuroMid | 1174.36 | +0.74 | +8.68 | 2.84 | 1.22 | 1218.12 |
| FTSE EuroMid Ebloc | 1185.48 | +0.66 | +7.78 | 2.36 | 1.38 | 1211.94 |
| FTSE EuroMid Ex UK | 1223.88 | +0.79 | +9.64 | 2.22 | 0.95 | 1247.51 |
| **FTSE Eurotop 300 Regions** | | | | | | |
| Eurobloc | 1231.90 | +1.18 | +14.42 | 2.06 | 0.69 | 1258.95 |
| UK | 1110.90 | +2.34 | +25.41 | 2.72 | 0.59 | 1167.01 |
| Europe Ex-Eurobloc | 1140.70 | +1.63 | +18.33 | 2.55 | 0.42 | 1181.92 |
| Europe Ex-UK | 1221.74 | +0.93 | +11.25 | 2.09 | 0.54 | 1245.13 |
| **FTSE Eurotop Industry Sectors** | | | | | | |
| RESOURCES | 833.42 | −1.27 | −10.73 | 3.45 | 0.94 | 872.50 |
| Mining | 846.64 | −0.65 | −5.53 | 4.12 | 0.00 | 864.51 |
| Oil & Gas | 801.50 | −1.30 | −10.54 | 3.42 | 0.94 | 821.86 |
| BASIC INDUSTRIES | 1054.65 | +1.08 | +11.25 | 2.77 | 0.86 | 1077.39 |
| Chemicals | 808.96 | +1.09 | +8.74 | 2.79 | 0.65 | 823.93 |
| Construction & Bld Matls | 964.60 | +1.35 | +12.84 | 2.42 | 1.13 | 974.16 |
| Forestry & Paper | 893.30 | +0.22 | +1.97 | 3.53 | 0.00 | 934.14 |
| GENERAL INDUSTRIALS | 1099.20 | +0.65 | +7.14 | 2.43 | 0.55 | 1123.13 |
| Aerospace & Defence | 835.05 | −0.78 | −6.55 | 1.97 | 0.00 | 846.58 |
| Diversified Industrials | 957.67 | +1.21 | +11.47 | 2.10 | 0.00 | 979.58 |
| Electronic & Elect Equip | 1006.08 | +0.32 | +3.25 | 1.84 | 0.18 | 1011.75 |
| Engineering & Machinery | 958.63 | +0.54 | +5.16 | 3.78 | 1.65 | 973.50 |
| CYCLICAL CONS GOODS | 1288.04 | +0.93 | +11.88 | 2.56 | 0.00 | 1323.48 |
| Automobiles | 957.32 | +1.46 | +13.77 | 2.42 | 0.00 | 966.20 |
| Household Goods & Texts | 1251.07 | −1.88 | −24.01 | 3.32 | 0.00 | 1261.75 |
| NON-CYC CONS GOODS | 1194.90 | +0.92 | +10.83 | 1.51 | 0.05 | 1227.82 |
| Beverages | 901.23 | +1.25 | +11.11 | 2.98 | 0.00 | 920.89 |
| Food Producers & Process | 888.51 | +0.83 | +7.28 | 1.74 | 0.00 | 898.95 |
| Health | 833.07 | −0.98 | −8.25 | 7.01 | 0.00 | 845.54 |
| Packaging | 790.51 | +0.99 | +7.75 | 1.14 | 0.00 | 791.50 |
| Personal Care & Hse Prods | 1094.66 | +0.43 | +4.69 | 0.88 | 0.00 | 1104.00 |
| Pharmaceuticals | 1095.82 | +1.22 | +13.24 | 1.17 | 0.00 | 1101.78 |
| Tobacco | 1406.68 | −2.11 | −30.33 | 2.81 | 1.42 | 1434.86 |
| CYCLICAL SERVICES | 1256.12 | +1.37 | +16.95 | 2.43 | 0.95 | 1293.87 |
| Distributors | 697.86 | +1.27 | +8.77 | 4.23 | 0.00 | 705.70 |
| General Retailers | 1011.58 | +0.82 | +8.23 | 3.14 | 1.06 | 1033.50 |
| Leisure Entertmt & Hotels | 894.11 | +2.79 | +24.25 | 2.27 | 6.02 | 912.71 |
| Media & Photography | 1151.19 | +2.17 | +24.40 | 1.97 | 0.00 | 1163.48 |
| Rests, Pubs & Breweries | 799.85 | −1.85 | −15.08 | 3.47 | 2.64 | 825.87 |
| Support Services | 1068.48 | +1.88 | +19.74 | 1.38 | 0.00 | 1079.81 |
| Transport | 959.24 | +1.17 | +11.11 | 2.60 | 1.81 | 976.76 |
| NON-CYCLICAL SERVS | 1303.08 | +3.61 | +45.35 | 1.53 | 0.44 | 1341.66 |
| Food & Drug Retailers | 1019.06 | −0.13 | −1.33 | 2.03 | 0.51 | 1035.13 |
| Telecommunications Servs | 1285.88 | +4.48 | +55.20 | 1.44 | 0.39 | 1305.44 |
| UTILITIES | 1464.41 | +0.64 | +9.37 | 3.03 | 3.35 | 1556.56 |
| Electricity | 1122.35 | +0.16 | +1.74 | 3.14 | 3.42 | 1161.77 |
| Gas Distribution | 1179.61 | +2.12 | +24.44 | 1.60 | 1.00 | 1298.85 |
| Water | 958.69 | +1.01 | +9.58 | 5.23 | 0.00 | 1004.01 |
| FINANCIALS | 1230.22 | +1.89 | +22.79 | 2.72 | 0.23 | 1264.03 |
| Banks | 849.21 | +2.21 | +18.34 | 3.55 | 0.26 | 861.56 |
| Insurance | 958.44 | +1.58 | +14.93 | 1.46 | 0.00 | 970.01 |
| Life Assurance | 1107.57 | +1.07 | +11.67 | 1.77 | 0.00 | 1121.95 |
| Investment Companies | 971.66 | −0.95 | −9.38 | 1.83 | 0.00 | 994.96 |
| Real Estate | 703.43 | +1.49 | +10.34 | 3.44 | 0.00 | 721.72 |
| Specialty & Other Fin | 887.36 | +2.31 | +20.00 | 2.54 | 0.00 | 902.18 |
| INFORMATION TECH | 886.36 | +2.23 | +19.36 | 0.70 | 0.04 | 888.52 |
| Information Tech Hardware | 932.30 | +2.58 | +23.41 | 0.78 | 0.00 | 934.52 |
| Software & Computer Serv | 782.11 | +1.28 | +9.92 | 0.48 | 0.15 | 784.11 |

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### FTSE EUROTOP 300

| Name | Price (Euro) | Chge + or − | Mkt cap Euro(bn) | Vol (m) | Yld |
|---|---|---|---|---|---|
| AEROSPACE & DEFENCE | | | | | |
| AUTOMOBILES | | | | | |
| BANKS | | | | | |
| BEVERAGES | | | | | |
| CHEMICALS | | | | | |
| CONSTRUCTION & BUILDING | | | | | |
| DISTRIBUTORS | | | | | |
| DIVERSIFIED INDUSTRIALS | | | | | |
| ELECTRICITY | | | | | |
| ELECTRONIC & ELECTRICAL EQUIPT | | | | | |
| ENGINEERING & MACHINERY | | | | | |
| FOOD & DRUG RETAILERS | | | | | |
| FOOD PRODUCERS & PROCESSORS | | | | | |
| FORESTRY & PAPER | | | | | |
| GAS DISTRIBUTION | | | | | |
| GENERAL RETAILERS | | | | | |
| HEALTH | | | | | |
| HOUSEHOLD & TEXTILES | | | | | |
| IT HARDWARE | | | | | |
| INSURANCE | | | | | |
| INVESTMENT COMPANIES | | | | | |
| LEISURE ENTERTAINMENT & HOTELS | | | | | |
| LIFE ASSURANCE | | | | | |
| MEDIA & PHOTOGRAPHY | | | | | |
| MINING | | | | | |
| OIL & GAS | | | | | |
| PACKAGING | | | | | |
| PERSONAL & HOUSEHOLD PRODUCTS | | | | | |
| PHARMACEUTICALS | | | | | |
| REAL ESTATE | | | | | |
| RESTAURANTS PUBS & BREWERIES | | | | | |
| SOFTWARE & COMPUTER SERVICES | | | | | |
| SPECIALITY & OTHER FINANCE | | | | | |
| SUPPORT SERVICES | | | | | |
| TELECOMMUNICATION SERVICES | | | | | |
| TOBACCO | | | | | |
| TRANSPORT | | | | | |
| WATER | | | | | |
| [illegible] | | | | | |

Notes: [illegible]

### CURRENCIES & MONEY

**EURO SPOT FORWARD AGAINST THE EURO**

| Feb 11 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | | |
| South Korea | (Won) | 1327.85 | −5.4800 | 637 - 933 | 1334.81 | 1326.37 | - | - | - | - | - | - |
| Taiwan | (T$) | 36.5023 | −0.0662 | 377 - 668 | 36.8010 | 36.4377 | 36.6594 | −5.2 | 36.9370 | −4.8 | 38.0177 | −4.2 |
| Thailand | (Bt) | 41.8008 | −0.1284 | 350 - 665 | 42.9405 | 41.7196 | 41.9312 | −3.7 | 42.2826 | −4.6 | 43.9465 | −5.1 |
| UAE | (Dirham) | 4.1485 | −0.0068 | 484 - 506 | 4.3350 | 4.13080 | 4.1555 | −1.7 | 4.1694 | −1.9 | 4.2418 | −2.2 |

Euro Locking Rates: Austrian Schilling 13.7603, Belgian/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT

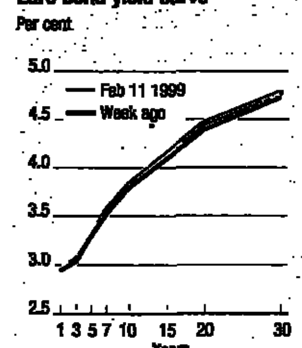
### BONDS

**INTEREST RATE SWAPS**

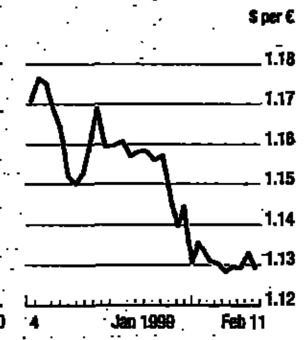
| Feb 11 | Euro-E Bid | Euro-E Ask | Euro-L Bid | Euro-L Ask | £ Stlg Bid | £ Stlg Ask | US $ Bid | US $ Ask | Yen Bid | Yen Ask |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 year | 3.08 | 3.11 | 3.08 | 3.11 | 5.23 | 5.26 | 5.19 | 5.22 | 0.47 | 0.50 |
| 2 year | 3.09 | 3.13 | 3.09 | 3.13 | 5.06 | 5.09 | 5.29 | 5.32 | 0.62 | 0.65 |
| 3 year | 3.21 | 3.25 | 3.21 | 3.25 | 5.04 | 5.08 | 5.37 | 5.40 | 0.93 | 0.96 |
| 4 year | 3.37 | 3.41 | 3.37 | 3.41 | 5.04 | 5.08 | 5.43 | 5.46 | 1.23 | 1.26 |
| 5 year | 3.52 | 3.56 | 3.52 | 3.56 | 5.02 | 5.06 | 5.48 | 5.51 | 1.48 | 1.51 |
| 6 year | 3.66 | 3.70 | 3.66 | 3.70 | 5.02 | 5.06 | 5.53 | 5.56 | 1.71 | 1.74 |
| 7 year | 3.79 | 3.83 | 3.79 | 3.83 | 5.02 | 5.06 | 5.58 | 5.61 | 1.91 | 1.94 |
| 8 year | 3.91 | 3.95 | 3.91 | 3.95 | 5.03 | 5.07 | 5.62 | 5.65 | 2.08 | 2.11 |
| 9 year | 4.02 | 4.06 | 4.02 | 4.06 | 5.04 | 5.08 | 5.66 | 5.69 | 2.22 | 2.25 |
| 10 year | 4.10 | 4.14 | 4.10 | 4.14 | 5.04 | 5.08 | 5.69 | 5.72 | 2.33 | 2.36 |
| 12 year | 4.25 | 4.29 | 4.25 | 4.29 | 5.06 | 5.11 | 5.78 | 5.81 | 2.54 | 2.59 |
| 15 year | 4.45 | 4.49 | 4.45 | 4.49 | 5.08 | 5.13 | 5.89 | 5.92 | 2.76 | 2.81 |
| 20 year | 4.65 | 4.69 | 4.65 | 4.69 | 5.07 | 5.13 | 6.00 | 6.03 | 2.95 | 3.00 |
| 25 year | 4.77 | 4.81 | 4.77 | 4.81 | 5.06 | 5.13 | 6.00 | 6.03 | 3.05 | 3.10 |
| 30 year | 4.84 | 4.88 | 4.84 | 4.88 | 5.05 | 5.13 | 5.99 | 6.02 | 3.10 | 3.16 |

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro quoted on annual bond 30/360 basis against 6 month Euribor and Libor with the exception of the 1 year rate which is quoted against 3 months Euribor and Libor. Source: Intercapital Brokers Ltd.

**Euro bond yield curve**




**Euro against the dollar**



Source: Interactive Data/FT Information

**EURO-ZONE BONDS**

| Feb 11 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd v Govts |
|---|---|---|---|---|---|---|---|---|
| **SOVEREIGNS** | | | | | | | | |
| UK | 01/01 | 4.250 | AAA | 102.146 | 3.10 | +0.00 | −0.05 | +0.14 |
| Denmark | 01/02 | 4.750 | AA+ | 104.234 | 3.19 | −0.02 | −0.06 | +0.16 |
| Sweden | 02/01 | 5.000 | AA+ | 103.552 | 3.12 | +0.00 | −0.06 | +0.16 |
| Greece | 11/06 | 6.750 | BBB | 115.621 | 4.33 | −0.03 | +0.01 | +0.82 |
| **SUPRANATIONALS** | | | | | | | | |
| ADB | 10/07 | 5.500 | AAA | 109.061 | 4.23 | −0.02 | +0.06 | +0.62 |
| EIB | 04/08 | 5.000 | AAA | 107.815 | 3.96 | −0.02 | +0.11 | +0.26 |
| Eurofima | 12/09 | 5.625 | AAA | 110.656 | 4.37 | −0.01 | +0.08 | +0.58 |
| World Bank | 04/05 | 7.125 | AAA | 118.376 | 3.73 | −0.03 | −0.01 | +0.32 |
| **UTILITIES** | | | | | | | | |
| EDF | 10/03 | 3.750 | n/a | 101.580 | 3.38 | −0.02 | −0.05 | +0.22 |
| TEPCO | 02/03 | 4.750 | AA | 103.740 | 3.73 | −0.02 | −0.03 | +0.57 |
| Quebec Hydro | 03/08 | 5.375 | A+ | 106.335 | 4.51 | −0.02 | +0.01 | +0.81 |
| Norsk Hydro | 10/99 | 7.250 | A | 102.251 | 3.54 | −0.01 | −0.01 | +0.58 |
| **FINANCIALS** | | | | | | | | |
| Bad Wurtt | 02/10 | 5.375 | AAA | 109.403 | 4.28 | +0.03 | −0.06 | +0.43 |
| OKB | 09/07 | 5.750 | AAA | 112.332 | 4.02 | +0.01 | +0.02 | +0.41 |
| Credit Local | 04/08 | 5.250 | AA+ | 107.182 | 4.29 | −0.01 | +0.06 | +0.59 |
| Abbey Natl | 01/09 | 5.000 | AA− | 103.095 | 4.60 | −0.01 | +0.01 | +0.81 |
| **INDUSTRIALS** | | | | | | | | |
| Unilever | 10/01 | 5.125 | AAA | 104.417 | 3.35 | +0.08 | −0.03 | +0.39 |
| McDonalds | 03/08 | 5.125 | AA | 106.472 | 4.25 | −0.02 | +0.38 | +0.55 |
| Philip Morris | 06/08 | 5.625 | A | 106.416 | 4.76 | −0.03 | −0.01 | +1.06 |
| BAT Int Fin | 07/06 | 5.375 | A− | 103.682 | 4.77 | −0.16 | −0.12 | +1.26 |
| **PFANDBRIEFE** | | | | | | | | |
| Rhein Hypo | 12/01 | 5.500 | n/a | 105.929 | 3.24 | +0.00 | −0.13 | +0.28 |
| Eurohypo AG | 01/04 | 5.000 | n/a | 106.551 | 3.52 | +0.04 | −0.08 | +0.23 |
| Bayer Vereins | 01/06 | 6.000 | n/a | 113.094 | 3.81 | +0.09 | −0.04 | +0.30 |
| Depfa | 07/08 | 4.750 | n/a | 104.906 | 4.11 | +0.10 | −0.05 | +0.41 |
| **HIGH YIELD** | | | | | | | | |
| Geberit | 04/07 | 10.125 | B+ | 109.131 | 8.21 | −0.07 | +0.00 | +4.60 |
| Colt Telecom | 11/07 | 8.875 | n/a | 106.596 | 7.82 | +0.01 | −0.78 | +4.21 |
| Impress Metal | 05/07 | 9.875 | B | 102.500 | 9.43 | +0.33 | +1.44 | +5.82 |
| Remy Cointreau | 07/05 | 10.000 | B+ | 94.865 | 11.18 | −0.04 | −0.37 | +7.77 |

Standard & Poor's ratings. Source: Interactive Data/FT Information.



## LEGAL NOTICES

**ENTERPRISE CAPITAL TRUST PLC**
Registered Number 145481

In a Petition presented to the Court of Session on 5th February 1999 at the instance of Enterprise Capital Trust PLC, a company incorporated under the Companies Acts with the number 145481 and having its registered office at 11 Walker Street, Edinburgh EH3 7NE for confirmation of reduction of its share capital, share premium account and capital redemption reserve, the Court pronounced the following Interlocutor:-

4 February 1999 — Lord Penrose

The Lord Ordinary appoints the Petition to be intimated on the Walls in common form and to be advertised once in the Edinburgh Gazette and once in the Scotsman and Financial Times newspapers and appoints all parties claiming interest to lodge Answers, if so advised, within 21 days after such intimation and advertisement.

"George Penrose"

Intimation of which is hereby given.

BRODIES WS
15 Atholl Crescent
Edinburgh EH3 8HA
Solicitor for Petitioners

No. 00105 of 1999

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
HW GROUP PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

ADVERTISEMENT

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 3rd February 1999 confirming the reduction of the share premium account of the above-named Company by £8,796,000 was registered by the Registrar of Companies on 4th February 1999.

Dated this 12th day of February 1999

Lawrence Graham
190 Strand
London WC2R 1JN
Ref: JGB/H2764/16
Solicitors for the above-named Company

FLOTATION

# Easdaq set for listing within two years

By Vincent Boland

Easdaq, the pan-European stock market that targets growth companies, plans to obtain a stock market listing for itself within two years, which would make it only the second of Europe's many exchanges to become a public company.

The Brussels-based exchange is raising €18m ($20.4m) from existing and new shareholders, which include venture capital companies, fund management groups and its own members, and has prepared an exit strategy that would see it get a listing.

For regulatory reasons, Easdaq's own initial public offering is expected to be on Nasdaq with a secondary listing on its own market, according to Stanislas Yassukovich, Easdaq chairman.

He said yesterday the raising of new money, which would be used to develop a new trading system, was a "pre-IPO round" and signalled that the first half of 2001 was "the likely time" for its initial public offering.

Easdaq's plan to list would place it alongside OM Gruppen, the company that owns the Swedish exchanges, as one of the few stock markets with a public listing and with a profit-making remit.

Most European exchanges are either member-owned co-operatives or are controlled by leading financial institutions. The trend is towards demutualisation, however, and recent moves among European exchanges to co-operate and form alliances may accelerate the process.

Easdaq, set up two years ago to target emerging growth companies and facing a fierce battle for listings with the growth-company segments of Europe's national markets, is not yet profitable, but Mr Yassukovich said it was expected to move into the black in 2000.

The exchange has 40 listings – less than the 50 it had originally hoped to have by the end of 1998 – and a market capitalisation at yesterday's close of €16.33bn.

Easdaq's fund-raising exercise comes as Belgium's banking and finance commission said it would examine the share price movements of some recent IPOs after huge volatility in the opening minutes of trading.

The most recent and controversial was the flotation earlier this week of Netvision, a Belgian company that provides internet security products.

Netvision's shares soared nearly nine-fold when trading began on Wednesday, driven by heavy demand from retail investors, according to traders. The shares were trading at €110 each in the first few minutes after the listing, compared with the IPO price of €12, before falling back quickly. The stock closed yesterday at €41.

Easdaq said yesterday it would be holding talks with KBC Securities, lead manager of the Netvision offering, and market makers in the stock "concerning the initial price formation and extreme price volatility in the first 15 minutes of trading".

# Data fail to move Treasuries

BENCHMARK BONDS

By Florian Gimbel and Arkady Ostrovsky in London and John Labate in New York

US Treasuries edged lower ahead of the $10bn auction in 30-year bonds, the last of three auctions this week, but European markets closed higher.

By early afternoon the 30-year Treasury bond, the benchmark for long-term interest rates, was down $\frac{1}{32}$ to $98\frac{3}{32}$, yielding 5.379 per cent.

Among shorter term issues the 10-year note lost $\frac{1}{32}$ at $98\frac{3}{16}$, yielding 4.937 per cent and the two-year note fell $\frac{1}{16}$ at $99\frac{5}{32}$, to yield 4.819 per cent.

Observers said the demand for the five and 10-year bonds earlier this week was disapointing, after a series of strong economic figures sparked concern in the market that the Federal Reserve might move towards tightening.

The market all but ignored the release of retail sales data, which showed a 0.2 per cent rise in January compared with a revised 1.0 per cent rise in December.

"The bond traded up a little bit after these numbers but drifted off ahead of the auction," said Ken Fan, US bond strategist at Paribas Capital Markets in New York.

Weekly jobless claims confirmed the strength of the US economy, slipping to 281,000 from the prior week's revised 294,000.

"The jobless figures were already priced in the market, following last week's US employment report.

The retail data was good news, but the bond market is still overshadowed by the general picture of strong US growth," said Graham McDevitt, head of global bond strategy at Paribas.

European markets confirmed their recent trend of decoupling from the US market and outperformed Treasuries.

Germany's 10-year benchmark bund future closed 0.20 higher at 116.56. The UK gilt, however, closed slightly lower at 118.51, but traders said the volumes remained thin.

Dominique Strauss-Kahn, the French finance minister, called for a rate cut in the euro-zone, but the markets did not respond.

Sirkka Hamalainen, a board member of the ECB said the bank's stance on the interest rates was "very clearly neutral".

The Japanese bond market was closed for a public holiday yesterday, but all attention today will be on the Bank of Japan policy committee meeting, which is expected to deliver its verdict on intervention in the government bond market.

# IDB strikes while iron is hot

NEW ISSUES

By Khozem Merchant and Norma Cohen

The Inter-American Development Bank was quick off the mark to issue a $1bn short-dated bond, taking its cue from the strong demand earlier this week for a two-year, $4bn issue by Freddie Mac, the US mortgage agency.

Freddie Mac launched at the top end of its volume range and the bond tightened by 1 basis point.

Encouraged by this showing, the Latin American agency launched its two-year bond, mopping up demand for short-dated dollar notes. Unlike the Freddie Mac issue, which sold largely in the US, the IDB paper was bought by investors in Europe, the Middle East and Asia, as well as the Americas.

Bankers said demand for short-dated agency paper was driven by some scarcity caused by increasing US Treasury issuance of longer maturities. Investors were therefore looking for short-dated sovereign substitutes.

The IDB has now drawn down $2.7bn of its planned $9bn borrowing target for this year. Yesterday's issue was priced at a spread of 35 basis points to US Treasuries and traded unchanged.

Argentina, Latin America's most prolific sovereign borrower, launched a five-year €250m bond, coinciding with a reaffirmation of its Ba3 sovereign rating ceiling by Moody's Investors Service.

Brixton Estate became the latest quoted UK property company to raise debt, launching an 11-year £100m eurobond. The bond, which carries an unsolicited BBB rating, was priced at a spread of 170 basis points over the relevant UK gilt.

Property companies, which have average leverage of about 70 per cent, are eager to tap the capital markets for borrowings which match the cash streams on their long-term leases.

With real interest rates at current levels, several companies are said to be looking at refinancing borrowings.

## New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Inter-American Dev Bank | 1bn | 5.125# | 99.964R | Feb 2001 | 0.15R | +35(4½Jan01) | Goldman/Warburg DR |
| Telenor AS | 250 | 5.50(l) | 99.56R | Mar 2006 | 0.325R | +70(4¾Feb04) | Warburg Dillon Read |
| Daimler-Chrysler Aust Pac | 200 | 5.25 | 99.24R | Mar 2003 | 0.25R | +60(4½Jan01) | Warburg Dillon Read |
| **EUROS** | | | | | | | |
| BCL International Finance‡ | 400 | (a) | 99.999 | Feb 2000 | 0.05 | - | Barclays/SG |
| Republic of Argentina | 250 | 9.50 | 99.50R | Mar 2004 | 0.75R | - | CSFB/Deutsche Bank |
| Bayerische Landesbank(e) | 200 | 4.30 | 99.411R | Mar 2009 | 0.325R | +50§ | BCEE/CDC Marchés |
| **STERLING** | | | | | | | |
| Brixton Estates plc | 100 | 6.00#(s) | 99.492R | Dec 2010 | 0.55R | +170(9%-08) | HSBC Mkts/Warburg DR |
| European Inv'ment Bank(b) | 325 | zero | 24.833 | Dec 2028 | 0.10 | - | Barclays Capital |
| **SWISS FRANCS** | | | | | | | |
| Crédit Local de France | 200 | 2.50 | 101.15 | Mar 2006 | 2.50 | - | ABN Amro |
| Vorarlberger L-& Hypo‡ | 200 | (c) | 100.15 | Feb 2004 | 0.25 | - | CSFB |
| Cie de Saint Gobain(d) | 150 | 2.50 | 101.70 | Jan 2004 | 1.75 | - | CSFB |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Euribor -3½bp. b) £175m at 24.833% and £150m at 24.889%. c) 3-mth Libor flat. d) Fungible with SFr250m. Plus 71 days accrued. e) Spread relates to French govt bonds. § Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

NEWS DIGEST

ELECTRONIC TRADING

## Liffe brings forward launch of bond futures contracts

The London International Financial Futures and Options Exchange yesterday said it was bringing forward by one month the launch of bond futures contracts on its new electronic trading system.

Liffe, which will be fully electronic by August, is in a race against time to put its most important contracts on to the new screen system before the exchange's competitors poach its leading contracts. The new system, Liffe Connect, was launched last November but so far offers only trading of individual equity options, one of the lowest volume areas of the exchange's business.

Although volumes in equity options have grown by 37 per cent since November, Liffe's main contracts are still traded on the floor and on an after-hours screen system. Under the new schedule, all bond futures, including the Japanese, German, Italian and swap markets contracts, will be switched to Connect on May 10. The five and 10-year gilt futures will be launched on April 10.

Liffe's five equity index futures, including the FTSE Eurobloc 300 and the MSCI Euro-index, will go on to the screens on May 25. However, Liffe's most important contract, the future on three-month euro-denominated interest rates, will not make the transition until July or August.

Officials say that "open outcry" still provides greater liquidity for trading of complex short-term interest rate contracts. **Edward Luce, Capital Markets Editor**

INTERNATIONAL BONDS

## Bulgaria set to test markets

The Republic of Bulgaria and the capital city of Sofia are planning to make their debuts on the international bond market later this year with issues that will be seen as a test of the strength of investor appetite for weaker east European credits.

The government plans an offering of about €200m in the second half of the year, to be led by Merrill Lynch and J. P. Morgan. The launch has repeatedly been postponed during the past two years because of turmoil in international markets.

Dimitar Radev, deputy finance minister, said the issue's size and timing would depend on market conditions.

The municipality of Sofia would like to issue a three-year €50m bond as early as next month to finance an upgrading of the city's road network, said Stefan Sofianski, the city's mayor and a former prime minister. SG Paribas is lead manager for the issue.

Both bond issues are still to be approved by parliament. Bulgaria and Sofia were both awarded single B speculative grade credit ratings with a positive outlook by Standard & Poor's, the international credit rating agency, late last year. **Kevin Done and Kerin Hope, Sofia**

# WORLD BOND PRICES

## BENCHMARK GOVERNMENT BONDS

| Feb 11 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 01/01 | 8.750 | 108.8181 | 4.90 | +0.09 | +0.10 | -0.04 | -0.23 |
| | 08/08 | 8.750 | 125.1451 | 5.34 | +0.13 | +0.14 | -0.07 | -0.54 |
| Austria | 07/00 | 5.875 | 103.8800 | 3.02 | -0.07 | -0.07 | -0.07 | -1.09 |
| | 01/08 | 5.000 | 107.8800 | 3.93 | -0.01 | -0.05 | -0.02 | -1.16 |
| Belgium | 07/00 | 4.000 | 100.9112 | 2.98 | -0.02 | -0.02 | -0.05 | -1.04 |
| | 03/08 | 5.750 | 113.4100 | 3.97 | -0.01 | -0.04 | -0.02 | -1.11 |
| Canada | 12/00 | 5.000 | 100.1700 | 4.89 | -0.01 | +0.03 | +0.12 | -0.08 |
| | 08/08 | 6.000 | 106.9200 | 5.06 | +0.01 | - | +0.05 | -0.34 |
| Denmark | 11/00 | 9.000 | 109.1300 | 3.49 | -0.01 | -0.09 | -0.03 | -0.69 |
| | 11/07 | 7.000 | 120.8300 | 4.10 | -0.01 | -0.09 | -0.02 | -1.26 |
| Finland | 06/00 | 4.000 | 101.3400 | 2.86 | -0.02 | -0.05 | -0.10 | -0.70 |
| | 04/08 | 6.000 | 115.3640 | 3.97 | +0.01 | -0.01 | - | -1.11 |
| France | 07/00 | 4.000 | 101.3500 | 2.99 | - | -0.02 | -0.03 | -0.97 |
| | 10/05 | 7.750 | 125.0800 | 3.47 | -0.03 | -0.06 | -0.07 | -1.23 |
| | 10/08 | 8.500 | 137.1800 | 3.83 | -0.02 | -0.05 | -0.01 | -1.18 |
| | 04/29 | 5.500 | 112.4800 | 4.72 | -0.02 | -0.05 | +0.01 | -0.86 |
| Germany | 06/00 | 4.000 | 101.3100 | 2.97 | -0.02 | -0.01 | -0.03 | -0.87 |
| | 10/05 | 6.500 | 117.0200 | 3.58 | -0.01 | -0.03 | -0.04 | -1.17 |
| | 07/08 | 4.750 | 107.4100 | 3.79 | -0.01 | -0.04 | -0.02 | -1.21 |
| | 01/28 | 5.625 | 114.2400 | 4.71 | -0.02 | -0.06 | -0.01 | -0.88 |
| Greece | 03/00 | 9.800 | 100.2504 | 9.51 | +0.01 | -0.44 | -0.60 | -6.21 |
| | 03/08 | 8.600 | 117.5575 | 6.06 | -0.05 | -0.05 | -0.50 | -4.88 |
| Ireland | 10/01 | 6.500 | 108.6000 | 3.10 | -0.02 | -0.05 | -0.07 | -1.70 |
| | 08/08 | 6.000 | 115.9000 | 3.98 | -0.02 | -0.05 | -0.04 | -1.32 |
| Italy | 04/01 | 4.500 | 102.9500 | 3.06 | -0.02 | -0.02 | -0.08 | -1.73 |
| | 07/03 | 4.500 | 104.8100 | 3.36 | -0.02 | -0.05 | -0.03 | -1.57 |
| | 05/08 | 5.000 | 107.9700 | 3.96 | -0.02 | -0.05 | - | -1.38 |
| | 11/27 | 6.500 | 124.8500 | 4.88 | - | -0.04 | +0.04 | -0.95* |
| Japan | 12/00 | 6.900 | 111.5420 | 0.57 | -0.01 | -0.08 | -0.08 | -0.24 |
| | 12/03 | 4.100 | 112.9650 | 1.33 | - | -0.19 | +0.05 | -0.06 |
| | 06/08 | 1.800 | 98.4260 | 1.99 | - | -0.17 | +0.22 | +0.20 |
| | 03/18 | 2.700 | 98.0000 | 2.84 | - | -0.13 | +0.30 | +0.23 |
| Netherlands | 05/00 | 9.000 | 107.1800 | 3.00 | - | +0.02 | - | -0.92 |
| | 07/08 | 5.250 | 110.7200 | 3.87 | -0.01 | -0.04 | -0.04 | -1.08 |
| New Zealand | 02/01 | 8.000 | 105.5066 | 5.02 | -0.01 | +0.03 | -0.20 | -2.29 |
| | 07/09 | 7.000 | 110.5952 | 5.64 | +0.06 | +0.04 | -0.08 | -1.07 |
| Norway | 05/01 | 7.000 | 104.5700 | 4.82 | +0.01 | -0.02 | -0.83 | +0.61 |
| | 01/07 | 6.750 | 113.6900 | 4.64 | - | -0.13 | -0.45 | -0.63 |
| Portugal | 03/00 | 5.375 | 102.4800 | 3.04 | -0.01 | -0.07 | -0.11 | -1.20 |
| | 06/08 | 5.375 | 110.8600 | 3.96 | -0.02 | -0.06 | -0.02 | -1.32 |
| Spain | 04/00 | 6.750 | 104.1700 | 3.01 | +0.01 | -0.06 | -0.02 | -1.33 |
| | 01/08 | 6.000 | 115.2100 | 3.95 | -0.01 | -0.04 | -0.02 | -1.27 |
| Sweden | 05/00 | 10.250 | 108.1235 | 3.29 | - | -0.04 | -0.13 | -1.44 |
| | 05/08 | 6.500 | 118.2250 | 4.08 | -0.01 | -0.03 | -0.01 | -1.48 |
| Switzerland | 06/00 | 4.500 | 104.0000 | 1.39 | - | -0.07 | -0.01 | -0.11 |
| | 01/08 | 4.250 | 115.4700 | 2.30 | - | -0.08 | -0.07 | -0.50 |
| UK | 11/01 | 7.000 | 106.0200 | 4.62 | -0.02 | -0.03 | -0.02 | -1.94 |
| | 12/03 | 6.500 | 109.2300 | 4.35 | +0.02 | +0.03 | +0.02 | -1.69 |
| | 10/08 | 9.000 | 136.3700 | 4.35 | +0.01 | +0.02 | -0.01 | -1.62 |
| | 12/28 | 6.000 | 128.7900 | 4.28 | +0.01 | +0.01 | -0.13 | -1.68 |
| US | 09/00 | 4.500 | 99.4127 | 4.88 | +0.04 | +0.04 | +0.15 | -0.54 |
| | 08/03 | 5.250 | 101.2748 | 4.93 | +0.04 | +0.05 | +0.17 | -0.64 |
| | 05/08 | 5.625 | 104.2695 | 5.04 | +0.03 | +0.05 | +0.14 | -0.54 |
| | 08/28 | 5.500 | 100.4362 | 5.47 | +0.03 | +0.05 | +0.14 | -0.42 |

London closing. * New York mid-day. Source: Interactive Data/FT Information

Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents

## 10 YEAR BENCHMARK SPREADS

| Feb 11 | Bid Yield | Spread vs Euros | Spread vs T-Bonds |
|---|---|---|---|
| Australia | 5.35 | +1.56 | +0.41 |
| Austria | 4.06 | +0.27 | -0.88 |
| Belgium | 3.97 | +0.18 | -0.97 |
| Canada | 5.06 | +1.27 | +0.12 |
| Denmark | 4.10 | +0.31 | -0.84 |
| Finland | 3.99 | +0.20 | -0.95 |
| France | 3.85 | +0.06 | -1.09 |
| Germany | 3.79 | - | -1.15 |
| Greece | 5.99 | +2.20 | +1.05 |
| Ireland | 3.99 | +0.20 | -0.95 |
| Italy | 3.96 | +0.17 | -0.98 |
| Japan | 2.01 | -1.78 | -2.93 |
| Netherlands | 3.91 | +0.12 | -1.03 |
| New Zealand | 5.64 | +1.85 | +0.70 |
| Norway | 4.68 | +0.89 | -0.26 |
| Portugal | 4.03 | +0.24 | -0.91 |
| Spain | 4.06 | +0.27 | -0.88 |
| Sweden | 4.11 | +0.32 | -0.83 |
| Switzerland | 2.41 | -1.38 | -2.53 |
| UK | 4.33 | +0.54 | -0.61 |
| US | 4.94 | +1.15 | - |

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

## EMERGING MARKET BONDS

| Feb 11 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd vs US |
|---|---|---|---|---|---|---|---|---|
| **EUROPE** | | | | | | | | |
| Croatia | 02/02 | 7.000 | BBB- | 94.3400 | 9.18 | -0.10 | -0.51 | +4.37 |
| Poland | 07/04 | 7.125 | BBB- | 105.6444 | 5.88 | -0.04 | -0.14 | +1.02 |
| Russia | 06/07 | 10.000 | n/a | 28.6200 | 39.82 | -1.27 | -0.07 | +34.92 |
| **LATIN AMERICA** | | | | | | | | |
| Argentina | 09/27 | 9.750 | BB | 84.1189 | 11.67 | -0.12 | +0.24 | +6.34 |
| Brazil | 05/27 | 10.125 | B+ | 66.8894 | 15.29 | -0.34 | -1.55 | +9.96 |
| Mexico | 05/26 | 11.500 | BB | 105.5249 | 10.86 | -0.10 | -0.08 | +5.55 |
| **ASIA** | | | | | | | | |
| China | 07/06 | 7.750 | BBB+ | 100.5361 | 7.64 | -0.02 | +0.15 | +2.78 |
| Philippines | 10/16 | 8.750 | BB+ | 95.2554 | 9.30 | -0.10 | +0.27 | +4.21 |
| Thailand | 04/07 | 7.750 | BBB- | 99.0934 | 7.90 | -0.06 | -0.44 | +3.00 |
| **AFRICA/MIDDLE EAST** | | | | | | | | |
| Lebanon | 07/00 | 9.125 | BB- | 104.2385 | 5.94 | -0.10 | -0.65 | +1.17 |
| South Africa | 10/06 | 8.375 | BB+ | 95.5173 | 9.20 | -0.08 | -0.52 | +4.32 |
| Turkey | 09/07 | 10.000 | B | 89.2995 | 12.04 | -0.10 | +0.43 | +7.14 |
| **BRADY BONDS** | | | | | | | | |
| Argentina | 03/23 | 5.750 | BB | 69.5000 | 9.15 | -0.11 | +0.07 | +3.91 |
| Brazil | 04/14 | 5.000 | B+ | 58.0000 | 14.38 | -0.24 | -0.83 | +9.31 |
| Mexico | 12/19 | 6.250 | BB | 77.8535 | 8.54 | -0.15 | -0.22 | +3.39 |
| Venezuela | 03/20 | 6.750 | B+ | 66.1923 | 10.86 | -0.03 | -0.03 | +5.68 |

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

## BOND FUTURES AND OPTIONS

### France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 111.89 | 112.17 | +0.03 | 112.23 | 111.78 | 29,720 | 92,083 |

LONG TERM EURO BOND OPTIONS (MATIF)

| Strike Price | CALLS Feb | Mar | - | PUTS Feb | Mar | - |
|---|---|---|---|---|---|---|
| 110 | 2.20 | - | - | 0.04 | - | - |
| 111 | 1.30 | - | - | 0.13 | - | - |
| 112 | 0.58 | - | - | 0.41 | - | - |
| 113 | 0.16 | - | - | 0.99 | - | - |

Est. vol. total. Calls 1,282 Puts - . Previous day's open int., Calls 19,885 Puts 10,778 .

### Germany

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 116.21 | 116.56 | +0.20 | 116.61 | 116.14 | 413,172 | 537,180 |

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 109.17 | 109.29 | +0.09 | 109.37 | 109.11 | 109,199 | 190,741 |

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 101.98 | +0.01 | - | - | 0 | 1040 |

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 102.75 | 102.98 | +0.10 | 102.75 | 102.75 | 30 | 1020 |

Also traded on APT. All Open interest figs. are for previous day.

### Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 114.28 | 114.53 | +0.18 | 114.58 | 114.15 | 8514 | 44752 |

### Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 117.30 | 117.54 | +0.16 | 117.59 | 117.16 | 14,905 | 22,413 |
| Jun | - | 117.52 | - | - | - | - | - |

### UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 109.14 | +0.04 | - | - | 0 | 63 |
| Jun | - | 108.93 | +0.04 | - | - | 0 | 0 |

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 118.45 | 118.51 | -0.02 | 118.65 | 118.15 | 34063 | 93800 |
| Jun | 119.10 | 118.41 | - | 119.45 | 119.06 | 657 | 3160 |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

| Strike Price | CALLS | | PUTS | |
|---|---|---|---|---|
| 11800 | [illegible] | | | |
| 11850 | [illegible] | | | |
| 11900 | [illegible] | | | |
| 11950 | [illegible] | | | |
| 12000 | [illegible] | | | |
| 12050 | [illegible] | | | |

Est. vol. total. [illegible]

### US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | [illegible] | | | | | | |
| Jun | [illegible] | | | | | | |
| Sep | [illegible] | | | | | | |

### Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | [illegible] | | | | | | |
| Jun | [illegible] | | | | | | |

### Euro

€ BOND FUTURES (MATIF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | [illegible] | | | | | | |



## US CORPORATE BONDS

| Feb 10 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd v Govts |
|---|---|---|---|---|---|---|---|---|
| **UTILITIES** | | | | | | | | |
| Pac Bell | 07/02 | 7.25 | AA- | 105.6657 | 5.38 | -0.02 | -0.03 | +5.38 |
| NY Tel. | 08/25 | 7.00 | A+ | 100.7561 | 6.93 | +0.01 | +0.01 | +1.59 |
| CWE | 05/08 | 8.00 | BBB | 114.4376 | 5.94 | -0.01 | -0.11 | +1.04 |
| **FINANCIALS** | | | | | | | | |
| GECC | 05/07 | 8.75 | AAA | 119.5640 | 5.74 | - | - | +0.84 |
| Banc One | 08/02 | 7.25 | A | 105.2129 | 5.57 | -0.01 | -0.14 | +5.57 |
| CNA Fin | 01/18 | 6.95 | A- | 99.5069 | 6.99 | -0.02 | -0.27 | +1.65 |
| **INDUSTRIALS** | | | | | | | | |
| WMX Tech | 04/99 | 6.25 | BBB+ | 100.0352 | 5.82 | -0.08 | +0.08 | +1.40 |
| Wal Mart | 05/02 | 6.75 | AA | 105.1454 | 5.00 | -0.02 | -0.09 | +5.00 |
| Dayton Hud | 06/21 | 9.70 | A- | 136.4198 | 6.56 | -0.01 | -0.11 | +1.22 |
| **AGENCIES** | | | | | | | | |
| FHLMC | 04/07 | 7.14 | N/A | 110.7670 | 5.48 | - | -0.02 | +0.58 |
| SLMA | 03/00 | 7.50 | N/A | 102.4800 | 5.09 | -0.06 | -0.07 | +0.67 |
| FNMA | 02/18 | 8.95 | N/A | 135.2131 | 5.85 | - | +0.03 | +0.51 |
| FFCB | 06/06 | 8.95 | N/A | 121.0350 | 5.42 | - | -0.04 | +0.52 |
| **HIGH YIELD** | | | | | | | | |
| Stone Cont | 02/01 | 9.88 | B | 101.8750 | 0.00 | - | - | - |
| AK Stl | 12/01 | 9.13 | BB- | 106.1250 | 0.00 | - | - | - |
| Pacalta | 06/04 | 10.75 | B- | 76.5000 | 0.00 | - | - | - |

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

## US INTEREST RATES

Latest

| | |
|---|---|
| Prime rate | 7¾ |
| Broker loan rate | 6½ |
| Fed.funds | 4¹¹⁄₁₆ |
| Fed.funds at intervention | |

Treasury Bills and Bond Yields

| | | | |
|---|---|---|---|
| One month | - | Two year | 4.84 |
| Two month | - | Three year | 4.81 |
| Three month | 4.50 | Five year | 4.81 |
| Six month | 4.54 | 10-year | 4.92 |
| One year | 4.65 | 30-year | 5.36 |

## INTERNATIONAL BONDS

| Feb 11 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Govts |
|---|---|---|---|---|---|---|---|---|
| **$** | | | | | | | | |
| EIB | 04/07 | 7.250 | AAA | 110.9163 | 5.55 | +0.02 | +0.01 | +0.65 |
| ABN Amro | 06/07 | 7.125 | AA- | 105.8368 | 6.20 | +0.02 | -0.27 | +1.30 |
| Quebec | 01/07 | 7.000 | A+ | 106.6394 | 5.94 | +0.02 | -0.08 | +1.04 |
| Citicorp FRN | 02/04 | 5.312 | AA- | 98.6598 | 5.62 | +0.03 | -1.00 | +0.78 |
| **C$** | | | | | | | | |
| Bayer L-Bk | 06/04 | 9.500 | AAA | 118.5071 | 5.49 | -0.02 | +0.07 | +0.20 |
| Toronto (M of) | 05/04 | 8.500 | AA+ | 113.9183 | 5.39 | -0.02 | -0.11 | +0.10 |
| Bell Canada | 07/99 | 10.625 | A+ | 102.0098 | 5.33 | -0.01 | +0.09 | +1.27 |
| Deutsche B FRN | 09/02 | 5.875 | AA+ | 101.0678 | 5.54 | -0.02 | +0.05 | +0.34 |
| **£** | | | | | | | | |
| EIB | 12/07 | 7.625 | AAA | 118.6300 | 4.98 | +0.02 | -0.08 | +0.51 |
| Dresdner Bk | 12/07 | 7.750 | AA- | 113.1260 | 5.80 | -0.04 | -0.06 | +1.35 |
| British Gas | 03/00 | 7.625 | A+ | 102.0800 | 5.64 | -0.05 | +0.02 | +0.77 |
| Abbey Nat FRN | 02/02 | 7.136 | AA | 99.9586 | 4.22 | - | -0.07 | -0.36 |
| **SFR** | | | | | | | | |
| EIB | 01/08 | 3.750 | AAA | 103.6136 | 3.28 | - | -0.10 | +0.97 |
| Brit Columbia | 02/02 | 3.250 | AA | 103.9099 | 1.90 | - | -0.07 | +0.28 |
| Hydro-Quebec | 05/01 | 6.750 | n/a | 109.1313 | 2.54 | +0.01 | -0.03 | +1.06 |
| Gen Elect. | 09/01 | 1.711 | n/a | 99.6506 | 1.49 | - | -0.05 | +0.01 |
| **YEN** | | | | | | | | |
| IBRD (World Bk) | 03/02 | 5.250 | AAA | 113.6132 | 0.78 | - | +0.07 | -0.12 |
| Spain (Kingdom) | 03/02 | 5.750 | AA | 114.8730 | 0.67 | - | +0.09 | -0.03 |
| Cred Foncier | 08/02 | 4.750 | A | 111.4040 | 1.37 | - | +0.03 | +0.47 |
| Italy (Rep of) | 07/99 | 0.516 | AA | 100.0624 | 0.30 | -0.03 | -0.12 | +0.02 |
| **A$** | | | | | | | | |
| IBRD (World Bk) | 02/08 | 6.000 | AAA | 101.8073 | 5.74 | +0.14 | -0.05 | +0.41 |
| Nw Sth Wales Tr | 05/06 | 6.500 | n/a | 104.3613 | 5.75 | +0.13 | -0.09 | +0.52 |
| S. Aus Gov Fin | 08/03 | 7.750 | AA | 107.4223 | 5.77 | +0.10 | -0.07 | +0.74 |
| GMAC Aust | 05/01 | 9.000 | n/a | 106.8888 | 5.65 | +0.08 | -0.12 | +0.74 |

London closing. Source: Interactive Data/FT Information

Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

# UK BONDS

## FTSE Actuaries Government Securities

| Price indices UK Gilts | Thu Feb 11 | Day's chge % | Accrued interest | xd adj ytd | Total Return | Duration Years | Duration Yield | % Weight |
|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (16) | 122.52 | +0.00 | 2.48 | 0.64 | 1208.25 | 2.36 | 4.58 | 34.03 |
| 2 5-10 years (11) | 172.74 | +0.00 | 2.48 | 0.68 | 1343.72 | 5.85 | 4.43 | 29.30 |
| 3 10-15 years (7) | 187.30 | -0.02 | 1.79 | 1.34 | 1467.20 | 8.72 | 4.43 | 13.49 |
| 4 5-15 years | [illegible] | | | | | | | |
| 5 Over 15 years | [illegible] | | | | | | | |
| 6 Irredeemables | [illegible] | | | | | | | |
| 7 All stocks | [illegible] | | | | | | | |

## UK Indices

| Index-linked | Thu Feb 11 | Day's chge % | Accrued interest | xd adj ytd | Total Return | % Weight |
|---|---|---|---|---|---|---|
| 1 Up to 5 years (2) | 226.36 | -0.08 | 1.72 | 0.00 | 1175.49 | 15.02 |
| 2 Over 5 years (9) | 269.28 | -0.21 | 1.04 | 1.77 | 1406.34 | 84.98 |
| 3 5-15 years (5) | 242.62 | -0.16 | 1.18 | 1.31 | 1309.56 | 42.82 |
| 4 Over 15 years | [illegible] | | | | | |
| 5 All stocks | [illegible] | | | | | |

Yield indices, FT Fixed Interest Indices: [illegible]

# UK GILTS PRICES

[illegible]

CURRENCIES & MONEY

# Sterling falls further against dollar

**MARKETS REPORT**

By Alan Beattie and Melanie Carroll

Sterling fell again yesterday as the market digested the Bank of England's dovish inflation report and interest rate expectations continued to slide.

The pound touched a six-month low against the dollar before recovering to close at $1.626. Against the euro it fell by less, stopping short of breaking the £0.70 level and closing in London at £0.695.

Technical analysts said that because sterling was approaching the important psychological level of $1.60, it should not fall much further. "Over the past two years cable has held within the $1.60-$1.70 range with only one or two violations," said Neil Irving, technical analyst at the economic consultancy 4Cast in London. "Sterling is oversold and risk/reward doesn't favour going too short," he added.

Mr Irving said that he expected sterling's current decline to bottom out early next week before sustaining a rally. "Support should come in around the $1.61-$1.62 range, and certainly at $1.6080, which was last year's low," he said.

■ The Polish zloty fell yesterday but the Czech koruna attracted attention after the government signalled there would be no further interest rate cuts.

The zloty fell to 3.745 zlotys against the dollar at the close of London trading yesterday after hitting a four-month low on Tuesday.

Worse than expected current account and GDP data for 1998, coupled with new worries over Brazil, encouraged the zloty's drop.

The zloty can fluctuate within a 25 per cent band set daily by the central bank against a currency basket.

In Czechoslovakia, Ivo Svoboda, the finance minister, signalled no further rate cuts after the central bank cut its repo rate by 75 basis points to 8 per cent last month.

The koruna rose yesterday to close at Kč33.3090 against the dollar after recent falls.

"The precipitous nature of the recent sell-off provides, for the brave, a short term window for new long koruna positions as long euro positions, built so aggressively over the last couple of weeks, are squared on profit taking," said Salomon Smith Barney-Citibank analysts in a research note published yesterday.

But they also warned of retreating opportunities overall across Eastern European currencies. They pointed to a fundamental deterioration in Hungary, considered the last bastion of investor value in Eastern Europe.

"The main concern here is the current account and the central bank's lack of exchange rate flexibility," Salomon said.

An expected tightening of the Hungarian central bank's interest rate policy because of import growth may attract capital inflows, which the currency's inflexible trading regime would not accommodate.

■ Yesterday's public holiday in Japan meant a quiet day for the yen leading up to today's crunch Bank of Japan board meeting.

The Japanese currency closed at Y114.3 against the dollar, little changed from Wednesday.

But some analysts raised the spectre of problems for the dollar against the yen if Japan continues making large net sales of foreign bonds. According to data released this week, Japan sold a net Y676.1bn of foreign bonds in January while foreign buyers snapped up a net Y714.2bn in Japanese bonds.

Jesper Dannesboe, currency analyst at ABN-AMRO in London, said that the dollar may face serious instability if this type of capital account behaviour carries on into February and March.

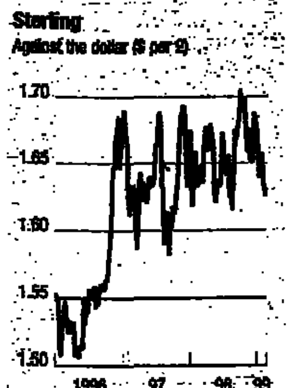
He said the Japanese sales of foreign bonds could be due to a cyclical repatriation of overseas funds at the end of the Japanese financial year, or because domestic yields have risen to a 10-year high, making US bonds less attractive.

"But it's too hard to say if it will continue. We won't know until the end of March or so," he added.

"Our official forecast for the dollar is that it will go higher, up to Y125," Mr Dannesboe said.

"But the market sentiment at the moment is to sell dollar and buy yen," he added.

Sterling
Against the dollar ($ per £)




Source: Datastream/ICV

■ POUND IN NEW YORK

| Feb 11 | — Latest — | — Prev. close — |
|---|---|---|
| £ spot | 1.6220 | 1.6275 |
| 1 mth | 1.6213 | 1.6267 |
| 3 mth | 1.6206 | 1.6258 |
| 1 yr | 1.6214 | 1.6273 |

■ OTHER CURRENCIES

| Feb 11 | £ | $ |
|---|---|---|
| Czech Rp | 54.1271 - 54.2092 | 33.3090 - 33.3390 |
| Hungary | 358.849 - 359.395 | 220.830 - 221.030 |
| Iran | 4878.00 - 4875.00 | 3000.00 - 3000.00 |
| Kuwait | 0.4919 - 0.4924 | 0.3027 - 0.3028 |
| Peru | 5.5023 - 5.5105 | 3.3880 - 3.3890 |
| Poland | 6.0858 - 6.1058 | 3.7450 - 3.7550 |
| Russia | 37.4969 - 37.5525 | 23.0750 - 23.0950 |
| U.A.E. | 5.9683 - 5.9725 | 3.6728 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Feb 11 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria* | (Sch) | 19.7985 | - | 880 - 090 | 19.8107 | 19.6915 | 19.7627 | 2.2 | 19.6909 | 2.2 | 19.4018 | 2.0 | 102.9 |
| Belgium* | (BFr) | 58.0416 | - | 109 - 723 | 58.0770 | 57.7270 | 57.9358 | 2.2 | 57.7282 | 2.2 | 56.8788 | 2.0 | 102.8 |
| Denmark | (DKr) | 10.7017 | -0.0022 | 967 - 066 | 10.7086 | 10.6402 | 10.6863 | 1.7 | 10.6557 | 1.7 | 10.5381 | 1.5 | 106.0 |
| Finland* | (FM) | 8.5548 | - | 503 - 593 | 8.5600 | 8.5090 | 8.5394 | 2.2 | 8.5084 | 2.2 | 8.3834 | 2.0 | 81.5 |
| France* | (FFr) | 9.4380 | - | 330 - 430 | 9.4438 | 9.3869 | 9.421 | 2.2 | 9.3887 | 2.2 | 9.249 | 2.0 | 106.2 |
| Germany* | (DM) | 2.8141 | - | 126 - 156 | 2.8170 | 2.7981 | 2.809 | 2.2 | 2.7988 | 2.2 | 2.7577 | 2.0 | 103.9 |
| Greece | (Dr) | 463.398 | +0.0020 | 011 - 784 | 463.911 | 460.958 | 464.897 | -3.9 | 468.198 | -4.1 | 481.134 | -3.8 | 62.8 |
| Ireland* | (I£) | 1.1332 | - | 326 - 338 | 1.1339 | 1.1270 | 1.1311 | 2.2 | 1.127 | 2.2 | 1.1105 | 2.0 | 94.3 |
| Italy* | (L) | 2785.93 | - | 446 - 741 | 2787.64 | 2770.87 | 2780.89 | 2.2 | 2770.78 | 2.2 | 2730.11 | 2.0 | 75.7 |
| Luxembourg* | (LFr) | 58.0416 | - | 109 - 723 | 58.0770 | 57.7270 | 57.9368 | 2.2 | 57.7282 | 2.2 | 56.8788 | 2.0 | 102.8 |
| Netherlands* | (Fl) | 3.1708 | +0.0001 | 691 - 724 | 3.1727 | 3.1537 | 3.1651 | 2.2 | 3.1536 | 2.2 | 3.1073 | 2.0 | 102.2 |
| Norway | (NKr) | 12.4245 | -0.0232 | 166 - 324 | 12.4480 | 12.3332 | 12.4458 | -2.1 | 12.4829 | -1.9 | 12.5319 | -0.9 | 92.3 |
| Portugal* | (Es) | 288.456 | - | 304 - 609 | 288.630 | 286.894 | 287.935 | 2.2 | 286.888 | 2.2 | 282.677 | 2.0 | 92.2 |
| Spain* | (Pta) | 239.399 | +0.0010 | 272 - 525 | 239.540 | 238.100 | 238.967 | 2.2 | 238.098 | 2.2 | 234.603 | 2.0 | 76.9 |
| Sweden | (SKr) | 12.8187 | -0.0216 | 066 - 308 | 12.8554 | 12.7413 | 12.7971 | 2.0 | 12.7532 | 2.0 | 12.5903 | 1.8 | 83.0 |
| Switzerland | (SFr) | 2.3005 | +0.0033 | 991 - 018 | 2.3018 | 2.2842 | 2.2926 | 4.0 | 2.2774 | 4.0 | 2.22 | 3.5 | 107.7 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 99.9 |
| Euro | (€) | 1.4398 | +0.0001 | 381 - 396 | 1.4397 | 1.4307 | 1.4363 | 2.2 | 1.4311 | 2.2 | 1.4101 | 2.0 | - |
| SDR† | - | 1.174500 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6253 | -0.0035 | 248 - 258 | 1.6282 | 1.6192 | - | - | - | - | - | - | - |
| Brazil | (R$) | 3.0804 | -0.0065 | 713 - 894 | 3.0894 | 3.0190 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.4183 | -0.0139 | 167 - 198 | 2.4273 | 2.4103 | 2.4174 | 0.4 | 2.4164 | 0.3 | 2.4161 | 0.1 | 78.5 |
| Mexico | (New Peso) | 16.2534 | -0.1314 | 403 - 665 | 16.2789 | 16.1897 | 16.563 | -22.9 | 17.2545 | -24.6 | 19.9863 | -23.0 | - |
| USA | ($) | 1.6255 | -0.0035 | 250 - 260 | 1.6285 | 1.6194 | 1.6247 | 0.6 | 1.6241 | 0.3 | 1.6264 | -0.1 | 104.9 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.4998 | -0.0199 | 981 - 015 | 2.5232 | 2.4941 | 2.4983 | 0.7 | 2.4981 | 0.6 | 2.4947 | 0.2 | 81.4 |
| Hong Kong | (HK$) | 12.5962 | -0.0257 | 915 - 008 | 12.6181 | 12.5492 | 12.597 | -0.1 | 12.6187 | -0.7 | 12.8874 | -2.3 | - |
| India | (Rs) | 69.0167 | -0.5600 | 894 - 440 | 69.1410 | 68.7600 | 69.5209 | -5.3 | 70.1431 | -6.5 | 74.249 | -7.6 | - |
| Indonesia | (Rupiah) | 14141.88 | +173.6100 | 625 - 750 | 14227.50 | 13982.50 | 14484.89 | -29.1 | 15347.85 | -34.1 | 18459.29 | -30.5 | - |
| Israel | (Shk) | 6.6229 | -0.0165 | 129 - 329 | 6.6277 | 6.6205 | - | - | - | - | - | - | - |
| Japan | (Y) | 185.795 | -0.7620 | 689 - 901 | 186.130 | 184.350 | 185.05 | 4.8 | 183.505 | 4.9 | 177.225 | 4.6 | 134.2 |
| Malaysia | (M$)‡ | 6.1769 | -0.0133 | 238 - 292 | 6.1880 | 6.1540 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.9416 | -0.0061 | 385 - 446 | 2.9513 | 2.9329 | 2.9378 | 1.6 | 2.9332 | 1.1 | 2.9323 | 0.3 | 93.4 |
| Philippines | (Peso) | 62.5006 | -1.0285 | 375 - 636 | 62.7636 | 62.3716 | 62.8497 | -6.7 | 63.6253 | -7.2 | 67.1979 | -7.5 | - |
| Saudi Arabia | (SR) | 6.0965 | -0.0129 | 938 - 991 | 6.1039 | 6.0739 | 6.1011 | -0.9 | 6.1185 | -1.4 | 6.2151 | -1.9 | - |
| Singapore | (S$) | 2.7439 | -0.0123 | 422 - 456 | 2.7580 | 2.7335 | 2.7363 | 3.3 | 2.7224 | 3.1 | 2.6852 | 2.1 | - |
| South Africa | (R) | 9.8551 | -0.0815 | 443 - 658 | 9.9115 | 9.8108 | 9.9326 | -9.5 | 10.0907 | -9.6 | 10.7487 | -9.0 | - |
| South Korea | (Won) | 1910.53 | -7.8900 | 824 - 283 | 1915.20 | 1905.06 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 52.5200 | -0.0951 | 225 - 174 | 52.6174 | 52.2856 | 52.6509 | -3.0 | 52.8566 | -2.6 | 53.6047 | -2.1 | - |
| Thailand | (Bt) | 60.1436 | -0.1846 | 438 - 433 | 61.6980 | 59.8650 | 60.2223 | -1.6 | 60.5062 | -2.4 | 61.9541 | -3.0 | - |

† Rates for Feb 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Feb 11 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria* | (Sch) | 12.1800 | +0.0259 | 773 - 826 | 12.1826 | 12.1418 | 12.1634 | 1.6 | 12.1242 | 1.8 | 11.9298 | 2.1 | 102.8 |
| Belgium* | (BFr) | 35.7069 | +0.0758 | 990 - 148 | 35.7148 | 35.5950 | 35.6584 | 1.6 | 35.5433 | 1.8 | 34.9733 | 2.1 | 102.8 |
| Denmark | (DKr) | 6.5836 | +0.0126 | 826 - 846 | 6.5846 | 6.5591 | 6.577 | 1.2 | 6.561 | 1.4 | 6.4798 | 1.6 | 105.1 |
| Finland* | (FM) | 5.2628 | +0.0111 | 617 - 640 | 5.2640 | 5.2484 | 5.2557 | 1.6 | 5.2388 | 1.8 | 5.1548 | 2.1 | 80.9 |
| France* | (FFr) | 5.8062 | +0.0123 | 049 - 075 | 5.8075 | 5.7880 | 5.7983 | 1.6 | 5.7798 | 1.8 | 5.6869 | 2.1 | 105.7 |
| Germany* | (DM) | 1.7312 | +0.0036 | 308 - 316 | 1.7316 | 1.7258 | 1.7288 | 1.6 | 1.7233 | 1.8 | 1.6956 | 2.1 | 103.6 |
| Greece | (Dr) | 285.080 | +0.6060 | 930 - 230 | 285.230 | 283.910 | 286.13 | -4.4 | 288.28 | -4.5 | 295.83 | -3.8 | 62.4 |
| Ireland* | (I£) | 1.4345 | -0.0031 | 342 - 348 | 1.4390 | 1.4344 | 1.4365 | -1.8 | 1.4411 | -1.8 | 1.4646 | -2.1 | - |
| Italy* | (L) | 1713.89 | +3.6300 | 351 - 427 | 1714.27 | 1708.52 | 1711.56 | 1.6 | 1706.04 | 1.8 | 1679.67 | 2.1 | 75.4 |
| Luxembourg* | (LFr) | 35.7069 | +0.0756 | 990 - 148 | 35.7148 | 35.5950 | 35.6584 | 1.6 | 35.5433 | 1.8 | 34.9733 | 2.1 | 102.8 |
| Netherlands* | (Fl) | 1.9506 | +0.0041 | 502 - 510 | 1.9510 | 1.9445 | 1.9479 | 1.6 | 1.9417 | 1.8 | 1.9105 | 2.1 | 102.1 |
| Norway | (NKr) | 7.6435 | +0.0020 | 410 - 460 | 7.6563 | 7.5981 | 7.66 | -2.6 | 7.668 | -2.2 | 7.7055 | -0.8 | 91.4 |
| Portugal* | (Es) | 177.457 | +0.3760 | 418 - 496 | 177.498 | 176.900 | 177.216 | 1.6 | 176.644 | 1.8 | 173.811 | 2.1 | 92.6 |
| Spain* | (Pta) | 147.277 | +0.3120 | 244 - 309 | 147.309 | 146.820 | 147.077 | 1.6 | 146.802 | 1.8 | 144.251 | 2.1 | 76.6 |
| Sweden | (SKr) | 7.8860 | +0.0036 | 810 - 910 | 7.9047 | 7.8481 | 7.8762 | 1.5 | 7.8525 | 1.7 | 7.7413 | 1.8 | 82.7 |
| Switzerland | (SFr) | 1.4152 | +0.0050 | 148 - 156 | 1.4159 | 1.4085 | 1.4111 | 3.5 | 1.4022 | 3.7 | 1.365 | 3.6 | 107.6 |
| UK | (£) | 1.6255 | -0.0035 | 250 - 260 | 1.6285 | 1.6194 | 1.6247 | 0.6 | 1.6241 | 0.3 | 1.6254 | -0.1 | 99.5 |
| Euro | (€) | 1.1298 | -0.0024 | 295 - 300 | 1.1336 | 1.1295 | 1.1313 | -1.6 | 1.135 | -1.8 | 1.1535 | -2.1 | - |
| SDR† | - | 0.72020 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | - | 999 - 999 | 0.9999 | 0.9999 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.8950 | - | 900 - 000 | 1.9000 | 1.8600 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.4877 | -0.0054 | 872 - 882 | 1.4913 | 1.4872 | 1.4878 | -0.1 | 1.4879 | 0.0 | 1.4855 | 0.1 | 77.9 |
| Mexico | (New Peso) | 9.9990 | -0.0595 | 940 - 040 | 10.0040 | 9.9800 | 10.194 | -23.4 | 10.624 | -25.0 | 12.289 | -22.9 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 106.2 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.5378 | -0.0089 | 373 - 386 | 1.5511 | 1.5373 | 1.5375 | 0.3 | 1.5371 | 0.2 | 1.5364 | 0.1 | 81.3 |
| Hong Kong | (HK$) | 7.7491 | +0.0006 | 486 - 496 | 7.7496 | 7.7474 | 7.7531 | -0.6 | 7.7696 | -1.1 | 7.9241 | -2.3 | - |
| India | (Rs) | 42.4588 | -0.2537 | 550 - 625 | 42.4650 | 42.4500 | 42.665 | -5.8 | 43.1888 | -6.9 | 45.6538 | -7.5 | - |
| Indonesia | (Rupiah) | 8700.00 | +125.0000 | 000 - 000 | 8750.00 | 8580.70 | 8915 | -29.7 | 9450 | -34.5 | 11350 | -30.5 | - |
| Israel | (Shk) | 4.0744 | -0.0015 | 695 - 793 | 4.0793 | 4.0724 | - | - | - | - | - | - | - |
| Japan | (Y) | 114.300 | -0.2200 | 270 - 330 | 114.480 | 113.610 | 113.89 | 4.3 | 112.985 | 4.6 | 108.965 | 4.7 | 135.0 |
| Malaysia | (M$)‡ | 3.8000 | - | 300 - 300 | 3.8000 | 3.7999 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 1.8096 | -0.0012 | 083 - 109 | 1.8165 | 1.8060 | 1.8078 | 1.2 | 1.8061 | 0.8 | 1.8065 | 0.2 | - |
| Philippines | (Peso) | 38.4500 | -0.5500 | 000 - 000 | 38.6000 | 38.3000 | 38.6815 | -7.2 | 39.1755 | -7.5 | 41.318 | -7.5 | - |
| Saudi Arabia | (SR) | 3.7505 | - | 500 - 510 | 3.7510 | 3.7500 | 3.755 | -1.4 | 3.7673 | -1.8 | 3.8215 | -1.9 | - |
| Singapore | (S$) | 1.6880 | -0.0040 | 875 - 885 | 1.6985 | 1.6868 | 1.6841 | 2.8 | 1.6762 | 2.8 | 1.651 | 2.2 | - |
| South Africa | (R) | 6.0628 | -0.0372 | 580 - 675 | 6.0900 | 6.0460 | 6.1133 | -10.0 | 6.213 | -9.9 | 6.6078 | -9.0 | - |
| South Korea | (Won) | 1175.35 | -2.3600 | 430 - 640 | 1177.50 | 1174.30 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 32.3100 | +0.0100 | 600 - 600 | 32.3600 | 32.2600 | 32.405 | -3.5 | 32.545 | -2.9 | 32.96 | -2.0 | - |
| Thailand | (Bt) | 37.0000 | -0.0350 | 500 - 500 | 37.9400 | 36.9200 | 37.085 | -2.1 | 37.255 | -2.8 | 38.1 | -3.0 | - |

† SDR rate per $ for Feb 10. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Feb 10: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| Feb 11 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Euro-zone | 3⅛ | 3⅛ | 3⅛ | 3⅛ | 3 | - | 3.00 | 3.00 |
| Switzerland | 1 | 1⅛ | 1⅛ | 1⅛ | 1¼ | - | 1.00 | - |
| US | 4[illegible] | 4[illegible] | 4[illegible] | 4[illegible] | 5[illegible] | - | 4.50 | - |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| **■ $ LIBOR BBA London** | | | | | | | | |
| Interbank Fixing | - | 4[illegible] | 4[illegible] | 5 | 5⅛ | - | - | - |
| US Dollar CDs | - | 4.74 | 4.79 | 4.82 | 4.91 | - | - | - |
| Euro Linked Ds | - | 3[illegible] | 3[illegible] | 3[illegible] | 3[illegible] | - | - | - |
| SDR Linked Ds | - | 3[illegible] | 3[illegible] | 3[illegible] | 3[illegible] | - | - | - |
| BBA Euro Libor | - | 3[illegible] | 3[illegible] | 3[illegible] | 3[illegible] | - | - | - |
| Euro Euribor | - | 3.146 | 3.106 | 3.051 | 3.041 | - | - | - |
| EONIA | 3.10 | - | - | - | - | - | - | - |
| EURONIA | 3.1000 | - | - | - | - | - | - | - |

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

### INTERNATIONAL CURRENCY RATES

| Feb 11 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Euro | 3[illegible] - 3[illegible] | 3[illegible] - 3[illegible] | 3[illegible] - 3[illegible] | 3[illegible] - 3[illegible] | 3[illegible] - 2[illegible] | 3[illegible] - 2[illegible] |
| Danish Krone | 3[illegible] - 3[illegible] | 3[illegible] - 3[illegible] | 3[illegible] - 3[illegible] | 3[illegible] - 3[illegible] | 3[illegible] - 3[illegible] | 3[illegible] - 3[illegible] |
| Sterling | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] |
| Swiss Franc | 1[illegible] - [illegible] | 1[illegible] - [illegible] | 1[illegible] - 1 | 1[illegible] - 1[illegible] | 1[illegible] - 1[illegible] | 1[illegible] - 1[illegible] |
| Canadian Dollar | 5 - 4[illegible] | 5[illegible] - 4[illegible] | 5 - 4[illegible] | 4[illegible] - 4[illegible] | 4[illegible] - 4[illegible] | 5[illegible] - 4[illegible] |
| US Dollar | 4[illegible] - 4[illegible] | 4[illegible] - 4[illegible] | 4[illegible] - 4[illegible] | 5 - 4[illegible] | 5[illegible] - 4[illegible] | 5[illegible] - 5[illegible] |
| Japanese Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | 2[illegible] - 1[illegible] | 1[illegible] - 1[illegible] | 1[illegible] - 1[illegible] | 2[illegible] - 2[illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.940 | 96.940 | - | 96.950 | 96.930 | 6,782 | 35,754 |
| Jun | 97.055 | 97.060 | -0.010 | 97.070 | 97.030 | 8,693 | 20,871 |

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.935 | 96.945 | +0.005 | 96.950 | 96.925 | 19185 | 124028 |
| Jun | 97.045 | 97.085 | +0.005 | 97.080 | 97.030 | 25895 | 114434 |
| Sep | 97.090 | 97.115 | +0.010 | 97.120 | 97.075 | 23965 | 68992 |
| Dec | 96.870 | 96.890 | +0.005 | 96.890 | 96.860 | 5702 | 69424 |

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.925 | 96.945 | +0.005 | 96.945 | 96.925 | 1178 | 160451 |
| Jun | 97.040 | 97.065 | +0.005 | 97.075 | 97.035 | 5121 | 126991 |
| Sep | 97.085 | 97.115 | +0.010 | 97.120 | 97.080 | 688 | 123154 |
| Dec | 96.870 | 96.890 | +0.005 | 96.895 | 96.870 | 205 | 89484 |

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

| Strike Price | Calls Mar | Calls Jun | Calls Sep | Calls Dec | Puts Mar | Puts Jun | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 96875 | 0.085 | | | | 0.018 | | | |
| 97000 | 0.040 | 0.140 | 0.210 | 0.165 | 0.085 | 0.075 | 0.095 | 0.275 |
| 97125 | 0.010 | | | | 0.190 | | | |
| 97250 | 0.005 | 0.050 | 0.100 | 0.085 | 0.310 | 0.235 | 0.235 | 0.445 |

Est. vol. total, Calls 4072 Puts 700. Previous day's open int., Calls 85022 Puts 41688

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

| Strike Price | Calls Mar | Calls Jun | Calls Sep | Calls Dec | Puts Mar | Puts Jun | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 96875 | 0.085 | | | | 0.015 | | | |
| 97000 | 0.040 | 0.140 | 0.210 | 0.165 | 0.085 | 0.075 | 0.085 | 0.275 |
| 97125 | 0.010 | | | | 0.190 | | | |
| 97250 | 0.005 | 0.050 | 0.100 | 0.085 | 0.310 | 0.235 | 0.235 | 0.445 |

Est. vol. total, Calls 8960 Puts 1556. Previous day's open int., Calls 344109 Puts 177801

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 98.700 | 98.680 | -0.030 | 98.730 | 98.660 | 11835 | 87793 |
| Jun | 98.580 | 98.580 | -0.020 | 98.610 | 98.560 | 12155 | 60610 |
| Sep | 98.480 | 98.440 | -0.040 | 98.490 | 98.430 | 2187 | 34280 |
| Dec | 98.200 | 98.150 | -0.040 | 98.210 | 98.130 | 819 | 15203 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 99.45 | - | - | - | 0 | n/a |
| Jun | - | 99.56 | +0.01 | - | - | 0 | n/a |
| Sep | - | 99.53 | - | - | - | 0 | n/a |

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

| Strike Price | Calls Mar | Calls Jun | Calls Sep | Puts Mar | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|
| 98750 | 0.060 | 0.100 | 0.120 | 0.130 | 0.270 | 0.430 |
| 98875 | 0.030 | | | 0.225 | | |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3880 Puts 2112

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Feb 11 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | € |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium* | (BFr) | 100 | 18.44 | 16.26 | 4.848 | 1.952 | 4800 | 5.463 | 21.41 | 497.0 | 412.5 | 22.09 | 3.963 | 1.723 | 4.167 | 2.801 | 320.1 | 2.479 |
| Denmark | (DKr) | 54.24 | 10 | 8.819 | 2.630 | 1.059 | 2603 | 2.963 | 11.61 | 269.5 | 223.7 | 11.98 | 2.150 | 0.934 | 2.260 | 1.519 | 173.6 | 1.344 |
| France* | (FFr) | 61.50 | 11.34 | 10 | 2.982 | 1.201 | 2952 | 3.360 | 13.16 | 305.6 | 253.7 | 13.58 | 2.437 | 1.060 | 2.562 | 1.722 | 196.9 | 1.525 |
| Germany* | (DM) | 20.63 | 3.803 | 3.354 | 1 | 0.403 | 990.0 | 1.127 | 4.415 | 102.5 | 85.07 | 4.555 | 0.817 | 0.355 | 0.859 | 0.578 | 66.02 | 0.511 |
| Ireland* | (I£) | 51.22 | 9.444 | 8.329 | 2.483 | 1 | 2459 | 2.798 | 10.96 | 254.6 | 211.3 | 11.31 | 2.030 | 0.882 | 2.134 | 1.435 | 164.0 | 1.270 |
| Italy* | (L) | 2.083 | 0.384 | 0.339 | 0.101 | 0.041 | 100 | 0.114 | 0.446 | 10.35 | 8.593 | 0.460 | 0.083 | 0.036 | 0.087 | 0.058 | 6.669 | 0.052 |
| Netherlands* | (Fl) | 18.31 | 3.375 | 2.977 | 0.888 | 0.357 | 878.6 | 1 | 3.919 | 90.97 | 75.50 | 4.043 | 0.726 | 0.315 | 0.763 | 0.513 | 58.60 | 0.454 |
| Norway | (NKr) | 46.72 | 8.613 | 7.596 | 2.265 | 0.912 | 2242 | 2.552 | 10 | 232.2 | 192.7 | 10.32 | 1.852 | 0.805 | 1.946 | 1.308 | 149.5 | 1.158 |
| Portugal* | (Es) | 20.12 | 3.710 | 3.272 | 0.976 | 0.393 | 965.8 | 1.099 | 4.307 | 100 | 82.99 | 4.444 | 0.797 | 0.347 | 0.838 | 0.564 | 64.41 | 0.499 |
| Spain* | (Pta) | 24.24 | 4.470 | 3.942 | 1.175 | 0.473 | 1164 | 1.324 | 5.190 | 120.5 | 100 | 5.355 | 0.961 | 0.418 | 1.010 | 0.679 | 77.61 | 0.601 |
| Sweden | (SKr) | 45.28 | 8.348 | 7.363 | 2.196 | 0.884 | 2173 | 2.474 | 9.693 | 225.0 | 186.8 | 10 | 1.795 | 0.780 | 1.887 | 1.268 | 144.9 | 1.122 |
| Switzerland | (SFr) | 25.23 | 4.652 | 4.103 | 1.223 | 0.493 | 1211 | 1.378 | 5.401 | 125.4 | 104.1 | 5.572 | 1 | 0.435 | 1.051 | 0.707 | 80.77 | 0.625 |
| UK | (£) | 58.04 | 10.70 | 9.438 | 2.814 | 1.133 | 2786 | 3.171 | 12.42 | 288.5 | 239.4 | 12.82 | 2.300 | 1 | 2.418 | 1.626 | 185.8 | 1.439 |
| Canada | (C$) | 24.00 | 4.425 | 3.903 | 1.164 | 0.469 | 1152 | 1.311 | 5.138 | 119.3 | 98.99 | 5.301 | 0.951 | 0.414 | 1 | 0.672 | 76.83 | 0.595 |
| USA | ($) | 35.71 | 6.584 | 5.806 | 1.731 | 0.697 | 1714 | 1.951 | 7.644 | 177.4 | 147.3 | 7.886 | 1.415 | 0.615 | 1.488 | 1 | 114.3 | 0.885 |
| Japan | (Y) | 31.24 | 5.760 | 5.080 | 1.515 | 0.610 | 1499 | 1.707 | 6.687 | 155.3 | 128.9 | 6.899 | 1.238 | 0.538 | 1.302 | 0.875 | 100 | 0.774 |
| Euro | (€) | 40.34 | 7.438 | 6.560 | 1.956 | 0.788 | 1936 | 2.204 | 8.635 | 200.5 | 166.4 | 8.909 | 1.599 | 0.695 | 1.681 | 1.130 | 129.1 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.5770 | 0.5788 | -0.0021 | 0.5819 | 0.5773 | 9,483 | 56,705 |
| Jun | 0.5822 | 0.5815 | -0.0022 | 0.5848 | 0.5815 | 73 | 1,639 |
| Sep | 0.5840 | - | - | - | - | - | 165 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8873 | 0.8793 | +0.0012 | 0.8822 | 0.8690 | 23,873 | 70,897 |
| Jun | 0.8892 | 0.8902 | +0.0019 | 0.8908 | 0.8806 | 137 | 5,113 |
| Sep | 0.8920 | 0.8965 | -0.0004 | 0.8890 | 0.8920 | 1 | 1,498 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.7070 | 0.7100 | -0.0035 | 0.7115 | 0.7095 | 21,070 | 58,409 |
| Jun | 0.7179 | 0.7180 | -0.0022 | 0.7180 | 0.7179 | 98 | 523 |
| Sep | 0.7190 | - | - | - | - | - | 276 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.6314 | 1.6254 | -0.0034 | 1.6264 | 1.6208 | 8,117 | 54,256 |
| Jun | 1.6330 | 1.6216 | -0.0062 | 1.6218 | 1.6216 | 64 | 1,797 |
| Sep | 1.6424 | - | - | - | - | - | 230 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Feb 11 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7 - 5 | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] |
| Sterling CDs | - | - | [illegible] - [illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] |
| Treasury Bills | - | - | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | - | - |
| Bank Bills | - | - | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | - | - |
| Local authority deps. | 6[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5[illegible] - 5[illegible] | 5½ - 5[illegible] | 5[illegible] - 5[illegible] |
| Discount Market deps | 6 - 5[illegible] | 5[illegible] - 5[illegible] | - | - | - | - |

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 4 | 6.5 | 6.5 | 6.25 | 6.25 |

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Feb 5, 5.1840pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 29; Agreed rate for period Feb 24, 1999 to Mar 23, 1999, Scheme III 7.18pc. Reference rate for period Jan 1, 1999 to Jan 29, 1999, Schemes IV & V 5.926pc. Finance House Base Rate 6.5pc for Feb 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.690 | 94.710 | +0.030 | 94.710 | 94.690 | 16902 | 169330 |
| Jun | 94.980 | 94.990 | +0.030 | 95.010 | 94.980 | 19248 | 193075 |
| Sep | 95.100 | 95.110 | +0.030 | 95.120 | 95.080 | 20661 | 179779 |
| Dec | 94.920 | 94.910 | +0.020 | 94.930 | 94.890 | 5590 | 141879 |
| Mar | 95.100 | 95.090 | +0.010 | 95.110 | 95.080 | 11846 | 127522 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | Calls Mar | Calls Jun | Calls Sep | Puts Mar | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|
| 94500 | 0.225 | 0.515 | 0.665 | 0.015 | 0.025 | 0.055 |
| 94625 | 0.130 | | | 0.045 | | |
| 94750 | 0.060 | 0.310 | 0.460 | 0.100 | 0.070 | 0.100 |
| 94875 | 0.030 | | | 0.195 | | |
| 95000 | 0.015 | 0.155 | 0.290 | 0.305 | 0.165 | 0.180 |
| 95125 | 0.005 | | | 0.420 | | |

Est. vol. total, Calls 30044 Puts 19998. Previous day's open int., Calls 533350 Puts 577750

### EMS EUROPEAN CURRENCY UNIT RATES

| Feb 11 | Euro cen. rates | Rate against Euro € | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Greece | 353.109 | 322.100 | +0.1 | -8.78 | 9.25 | 59 |
| Denmark | 7.46038 | 7.4347 | +0 | -0.34 | 0.00 | 2 |
| **NON ERM MEMBERS** | | | | | | |
| UK | 0.653644 | 0.69750 | +0.0021 | 6.71 | -6.61 | - |

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Euro central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Puts Feb | Puts Mar | Puts Apr |
|---|---|---|---|---|---|---|
| 1.630 | 0.33 | 1.29 | 1.97 | 0.36 | 1.37 | 2.14 |
| 1.640 | 0.07 | 0.78 | 1.54 | 1.07 | 1.95 | 2.61 |
| 1.650 | - | 0.47 | 1.20 | 1.98 | - | - |

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Puts Feb | Puts Mar | Puts Apr |
|---|---|---|---|---|---|---|
| 0.575 | 0.48 | 0.90 | 1.22 | 0.01 | 0.30 | 0.52 |
| 0.580 | 0.17 | 0.59 | 0.93 | 0.14 | 0.46 | 0.73 |
| 0.585 | 0.07 | 0.38 | 0.68 | 0.49 | 0.78 | 0.99 |

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.98 | 94.98 | - | 95.00 | 94.97 | 37,915 | 442,033 |
| Jun | 94.97 | 94.97 | -0.02 | 95.00 | 94.97 | 51,952 | 441,534 |
| Sep | 94.95 | 94.94 | -0.03 | 95.00 | 94.95 | 66,343 | 413,846 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.64 | 95.65 | -0.02 | - | - | 135 | 2,501 |
| Jun | 95.71 | - | - | - | - | 412 | 706 |

All Open interest figs. are for previous day

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 5.50 | Exeter Trust Limited | 6.50 | Smith & Williamson | 5.50 |
| Allied Irish Bank (GB) | 5.50 | ●Robert Fleming & Co | 5.50 | Sun Bank | 5.50 |
| ●Henry Ansbacher | 5.50 | Habib Bank AG Zurich | 5.50 | TSB | 5.50 |
| Banco Bilbao Vizcaya | 5.50 | Heritable & Gen Inv Bk | 5.50 | United Bank of Kuwait | 5.50 |
| Bank of Cyprus | 5.50 | C. Hoare & Co | 5.50 | Unity Trust Bank Plc | 5.50 |
| Bank of Ireland | 5.50 | ●SG Hambros Bank & Trust | 5.50 | Whiteaway Laidlaw | 6.50 |
| Bank of India | 5.50 | Hongkong & Shanghai | 5.50 | Yorkshire Bank | 5.50 |
| Bank of Scotland | 5.50 | Investec Bank (UK) Ltd | 5.50 | | |
| Barclays Bank | 5.50 | Julian Hodge Bank | 5.50 | | |
| Brit Bk of Mid East | 5.50 | ●Leopold Joseph & Sons | 5.50 | | |
| ●Brown Shipley & Co Ltd | 5.50 | Lloyds Bank | 5.50 | | |
| Citibank NA | 5.50 | Midland Bank | 5.50 | | |
| Clydesdale Bank | 5.50 | NatWestminster | 5.50 | | |
| The Co-operative Bank | 5.50 | ●Rea Brothers | 5.50 | | |
| Coutts & Co | 5.50 | Royal Bk of Scotland | 5.50 | | |
| Cyprus Popular Bank | 6.00 | Scottish Widows Bank | 5.50 | | |
| Duncan Lawrie | 5.50 | ●Singer & Friedlander | 5.50 | | |

● Members of London Investment Banking Association

# Brent remains at lower end of trading range

**MARKETS REPORT**

By Robert Corzine, Gillian O'Connor and Paul Solman

Oil prices drifted yesterday, with Brent Blend for March delivery quoted at $10.21 a barrel in late trading on London's International Petroleum Exchange, 4 cents up on Wednesday's close.

The latest weakness in oil prices, which are lingering near the low end of their recent trading range, has prompted renewed debate about how long the present downturn might last.

Mark Moody-Stuart, chairman of Royal Dutch/Shell, the Anglo-Dutch oil group which yesterday reported a 53 per cent slide in fourth-quarter profits, said many in the industry may be underestimating the cumulative impact of deferred upstream projects outside the Organisation of Petroleum Exporting Countries.

He predicted that non-Opec oil production should begin to tail off sharply by the end of the year, although the impact on depressed crude prices could be relatively modest.

"If Opec hangs in there and does not do anything rash, they should see a lift in prices," he said.

But Mr Moody-Stuart thought any boost would be modest.

Current non-Opec cuts were merely keeping oil prices from falling further, he said.

As more non-Opec output was reined in, then prices could rise by "a dollar or so," and crude prices below $14 a barrel "could be here for some time".

If low-cost Opec producers in the Gulf and elsewhere started to compete for market share, then prices could fall to $7 a barrel, he added.

Mr MoodyStuart also doubted whether Opec would agree to a new round on cuts at its next meeting in March.

Lead prices rose yesterday, despite Tuesday's intervention by the London Metal Exchange designed to neutralise a supply squeeze.

Prices reached their highest levels since last October, amid worries that the squeeze may resume after the respite – until February 17 – created by the LME's action.

Disappointment at the Inco and Norilsk production cuts announced the previous day left nickel prices weak, while zinc failed to respond to the long-rumoured announcement that the aged Italian Crotone smelter is to close temporarily.

Robusta coffee futures rose on the London International Financial Futures and Options Exchange yesterday, with the most actively traded May contract ending at $1,770 a tonne, a gain of $31 on Wednesday's close.

March cocoa, meanwhile, ended up £5 at £906 a tonne.

White sugar was weaker, the March contract standing at $232.20 a tonne in afternoon trading against Wednesday's close of $234.50.

In other sugar news, flooding in Queensland is threatening Australia's sugar cane crop.

# Ban on onion exports eased

By Mark Nicholson in New Delhi

Indian farmers can resume onion exports, banned by the government late last year after drought led to shortages and politically damaging surges in onion prices.

However, the exports must be in limited quantities and for only three months, according to the commerce ministry.

The partial easing of the ban, imposed last October, follows strong protests from farmers who have watched prices slump in recent weeks as the country heads for a record onion crop.

Just months ago soaring prices severely embarrassed the governing Bharatiya Janata party, and contributed to the party's defeat in three critical state elections last November.

The government's decision to allow exports of up to 25,000 tonnes a month for three months has incensed farmers in India's main onion producing state of Maharashtra.

The main markets in Pune and Nashik remained closed for much of this week as traders protested against the limited easing of the export ban. Farmers have called for the export quota to be doubled at least, and would prefer the ban to be rescinded.

Onions are a staple in the Indian diet and the commerce ministry said prices would be kept under strict review "to ensure that the interest of both the growers and consumers is protected".

Hot weather in the late summer and early autumn last year resulted in poor crops but bonanza harvests since have promised a record crop this year of 4.72m tonnes, against 3.68m tonnes a year ago.

Prices, which reached Rs4,000 ($93.6) per 100kg late last year have dived to about Rs260 per 100kg.

**GOLD IN A DEFLATIONARY CLIMATE**

# Report clips wings of the bullion bugs

By Gillian O'Connor
Mining Correspondent

Andy Smith, the *enfant terrible* of the precious metals industry, has been wielding his fly-swatter against the gold bugs – again. His latest paper doesn't just attack the idea that gold and commodities could provide a useful hedge in a deflationary climate; it batters it into a persistent vegetative state.

Start with commodities, which have only a vestigial importance to a modern economy. Their increasingly wild price swings have no discernible correlation with the ever smaller waves in general prices or the ever fewer troughs in economic activity. "Prehensile tails don't wag dogs."

Classical economic theory, which said commodity prices must rise in real terms, is outdated bunkum. Over the past 200-odd years, commodity prices have fallen by either 60 or 75 per cent, depending which yardstick you choose for inflation.

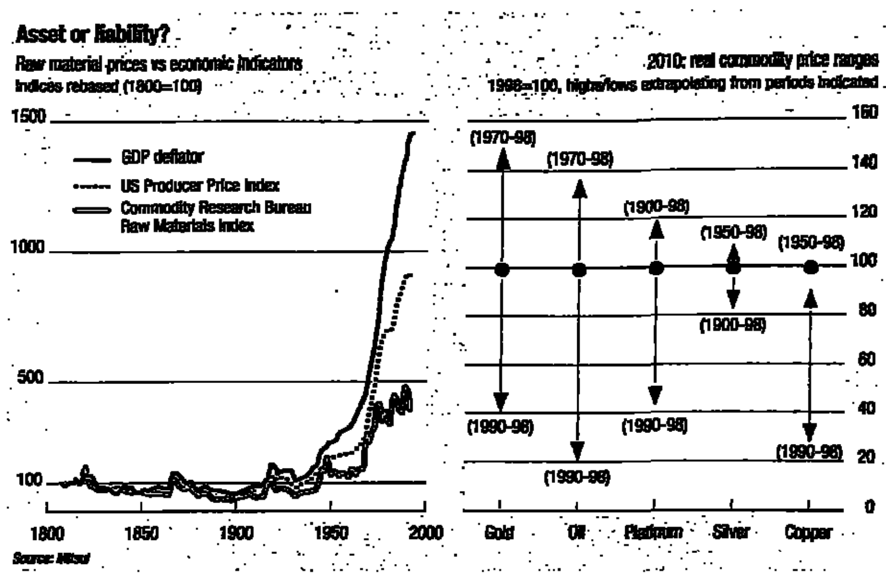
Metals have lagged even further behind than other commodities.

What is more, there is no obvious reason why they should stop lagging. Forget the argument that raw material resources are finite. There are lots there and people are increasingly ingenious at getting them out economically.

Resources today are in many cases higher than they were decades or even centuries ago, despite the interim consumption. This argument works in spades for silver and gold, because they do not get used up. "More or less all the gold or silver ever mined still exists."

In the past, gold, silver and oil have appeared to buck the general commodity trend because their prices were rigged. The two precious metals were treated as money, and the oil price was supported by a relatively successful cartel.

But oil and gold are now heading down towards the general commodities trendline. And silver provides an awful warning of what happens when a precious metal is "demonetised": it has already rejoined the herd of ordinary commodities.



Source: Mitsui

So how about gold as a store of value? Actually it never has "maintained its value" over long periods. The average real price (in 1998 $ per ounce) has been around $281 since 1560, but there have been wild and prolonged price swings around that average: the standard deviation is a mighty $84.

"An investor who bought gold in 1565 at the bargain real price of $440 (down from $702 in 1562) would have had to wait until 1979 to sell at a profit and would presumably be spinning in his (pauper's) grave."

When the price has picked up it has done so thanks to central bank buying. And their gold hoards – 14 years worth of mine supply – are now overhanging the market. As, indeed, are the private hoards in the east.

Gold may be a valuable deflation hedge, assuming all deflations are "singular catastrophes" involving panic, meltdown, bankruptcies and general financial mayhem, runs one gold-friendly argument.

But Mr Smith reckons that most deflations are in practice jolly boring. And even on the rare occasions when deflation and panic coincide, precious metals have not benefited.

Gold bugs also peddle the idea that, even if the west ceases to support the price, naive orientals will do so in their stead. So why didn't the Japanese turn to gold as their economy collapsed? And remember the more recent economic crash in east Asia: savers actually bailed out of gold. We have already seen what the east will do in extremis, and they did not support gold.

So where will the gold price be by 2010? Cannily, Mr Smith makes no forecasts; instead he does three extrapolations from earlier trends:

- 1970-1998 real trend: this suggests gold would rise to $414 an ounce and oil to $17 a barrel (in 1998 dollars).
- 1900-1998: gold would move to $280 an ounce and oil to $12 a barrel.
- 1990-1998: gold would fall to $150 an ounce and oil to $4 a barrel.

*"Gold and Commodities in deflations: attempted facelift" is a presentation to the Bank Credit Analyst conference in Miami by Andy Smith of Mitsui.*

# Eramet unveils wide-ranging reorganisation

By David Owen in Paris

Eramet, the French mining group, has announced a reorganisation that will considerably expand its special steels business and cut to about 30 per cent the stake held by French public sector interests.

In a series of transactions announced yesterday, Eramet is to acquire Sima Group, a French special steels and nickel alloys producer, in a deal paid for mainly with Eramet shares.

Separately, its interest in Société Le Nickel-SLN is set to fall from 90 to 60 per cent, in a move that will ultimately see 30 per cent of SLN's capital transferred to a New Caledonian public company created specifically for the purpose.

This New Caledonian company will also receive about 8 per cent of Eramet's current capital that is part of the stake held by a French state holding company.

Eramet said the transactions would permit New Caledonia to be associated more closely with the development of its main resource – nickel – and support the development of SLN.

Finally, the balance of the French state holding company's Eramet shares is to be transferred to Cogema, the state-controlled nuclear fuel specialist, providing it with a long-term industrial shareholder.

This will leave the mining group's capital divided roughly as follows: the former shareholders of Sima, about 35 per cent; Cogema, about 30 per cent; the New Caledonian public company, about 5 per cent; and about 30 per cent publicly traded.

Yves Rambaud, Eramet chairman, said the proposed reorganisation would leave each of the group's three branches in a strong position on world markets.

Yesterday's announcement came two weeks after it emerged that Eramet was buying the manganese business of Elkem, Norway's leading metals producer, for about FFr1.1bn (€168m, $190m).

Some nine months ago, Lionel Jospin, the French prime minister, signed an agreement on the future of New Caledonia which could pave the way for full sovereignty for the nickel-rich Pacific archipelago's 200,000 population if they vote for it in 15-20 years.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1192-93 | 1215-16 |
| Previous | 1197-8 | 1222-2.5 |
| High/low | | 1221/1212 |
| AM Official | 1185-6 | 1211-1.5 |
| Kerb close | | 1216-16.5 |
| Open int. | 294,400 | |
| Total daily turnover | 71,844 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1033-38 | 1055-57 |
| Previous | 1033-8 | 1055-6 |
| High/low | | 1059/1055 |
| AM Official | 1030-33 | 1053-5 |
| Kerb close | | 1059-60 |
| Open int. | 7,945 | |
| Total daily turnover | 1,219 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 527.5-8.5 | 525.5-6.5 |
| Previous | 509.5-10.5 | 513.5-4.0 |
| High/low | | 527/513 |
| AM Official | 515-6 | 517-8 |
| Kerb close | | 525-6 |
| Open int. | 37,455 | |
| Total daily turnover | 10,917 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 4535-45 | 4610-15 |
| Previous | 4625-35 | 4700-05 |
| High/low | | 4690/4600 |
| AM Official | 4535-45 | 4600-05 |
| Kerb close | | 4620-30 |
| Open int. | 74,048 | |
| Total daily turnover | 23,675 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 5225-35 | 5205-15 |
| Previous | 5245-50 | 5225-30 |
| High/low | | 5245/5200 |
| AM Official | 5225-30 | 5210-15 |
| Kerb close | | 5215-20 |
| Open int. | 21 273 | |
| Total daily turnover | 4,677 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1024-25 | 1040-41 |
| Previous | 1021-2 | 1037-8 |
| High/low | | 1045/1035 |
| AM Official | 1017-8 | 1035-5.5 |
| Kerb close | | 1045-46 |
| Open int. | 101,486 | |
| Total daily turnover | 20,033 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 1444.5-45.5 | 1473-73.5 |
| Previous | 1443-4 | 1472-3 |
| High/low | | 1478/1471 |
| AM Official | 1441-1.5 | 1470-1 |
| Kerb close | | 1475-76 |
| Open int. | 167,183 | |
| Total daily turnover | 87,277 | |

■ LME AM Official £/$ rate: 1.6225
LME Closing £/$ rate: 1.6255

Spot 1.6247 3 mths: 1.6233 6 mths: 1.6233 9 mths: 1.6241

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 66.10 | +0.15 | 66.30 | 66.00 | 298 | 652 |
| Mar | 66.25 | - | 66.65 | 65.90 | 6,155 | 30,349 |
| Apr | 66.65 | - | 66.75 | 66.60 | 11 | 2,228 |
| May | 67.00 | -0.05 | 67.30 | 66.75 | 859 | 6,308 |
| Jun | 67.30 | -0.05 | 67.40 | 67.25 | 11 | 1,458 |
| Jul | 67.75 | -0.05 | 67.90 | 67.50 | 406 | 6,533 |
| Total | | | | | 8,348 | 85,125 |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 287.70-288.20 | | |
| Opening | 286.80-287.20 | | |
| Morning fix | 287.50 | 177.09 | 254.09 |
| Afternoon fix | 287.30 | 176.69 | 254.02 |
| Day's High | 288.00-288.40 | | |
| Day's Low | 286.50-286.80 | | |
| Previous close | 287.00-287.50 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.16 | 6 months | 3.93 |
| 2 months | 4.12 | 12 months | 3.56 |
| 3 months | 4.11 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 338.57 | 549.50 |

Silver Lending Rates

| | | | |
|---|---|---|---|
| 1 month | 1.50 | 6 months | 0.00 |
| 2 months | 1.00 | 12 months | -0.10 |
| 3 months | 0.80 | | |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 290-294 | 178-181 |
| New Sovereign | 68-72 | 42-44 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 288.6 | +0.6 | 288.6 | 288.0 | 146 | 951 |
| Mar | 288.6 | +0.6 | - | - | - | 2 |
| Apr | 289.3 | +0.6 | 289.8 | 288.5 | 16,979 | 99,010 |
| Jun | 291.2 | +0.6 | 291.4 | 290.7 | 827 | 24,819 |
| Aug | 293.1 | +0.6 | - | - | 82 | 6,727 |
| Oct | 295.0 | +0.6 | - | - | 3 | 2,802 |
| Total | | | | | 18,600 | 182,936 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 364.6 | +3.6 | 365.5 | 360.0 | 1,286 | 10,284 |
| Jul | 366.9 | +3.4. | 367.5 | 362.0 | 4 | 1,584 |
| Oct | 369.4 | +3.4 | - | - | 53 | 1,060 |
| Total | | | | | 1,343 | 12,931 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 354.00 | -2.90 | 358.50 | 352.00 | 234 | 2,532 |
| Jun | 342.00 | -3.90 | 349.00 | 343.00 | 72 | 730 |
| Sep | 336.00 | -3.90 | - | - | - | 127 |
| Total | | | | | 306 | 3,495 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 555.6 | +7.8 | - | - | - | 25 |
| Mar | 556.5 | +7.7 | 557.5 | 545.0 | 12,145 | 56,257 |
| May | 558.9 | +7.8 | 560.0 | 550.5 | 1,965 | 16,272 |
| Jul | 559.9 | +7.8 | 561.0 | 554.5 | 523 | 10,843 |
| Sep | 560.4 | +7.8 | 556.0 | 556.0 | 20 | 3,974 |
| Dec | 560.7 | +7.6 | 558.0 | 555.0 | 158 | 6,524 |
| Total | | | | | 15,142 | 98,713 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 11.92 | +0.17 | 11.98 | 11.68 | 49,081 | 78,393 |
| Apr | 11.99 | +0.12 | 12.04 | 11.80 | 32,600 | 78,313 |
| May | 12.13 | +0.12 | 12.16 | 11.98 | 15,440 | 55,691 |
| Jun | 12.24 | +0.09 | 12.29 | 12.15 | 6,959 | 42,802 |
| Jul | 12.38 | +0.09 | 12.40 | 12.30 | 2,589 | 25,114 |
| Aug | 12.48 | +0.08 | 12.52 | 12.47 | 992 | 18,536 |
| Total | | | | | 125,648 | 527,866 |

■ CRUDE OIL IPE ($/barrel)

| | 6pm price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 10.21 | +0.04 | 10.27 | 10.07 | 5,425 | 17,179 |
| Apr | 10.39 | +0.08 | 10.47 | 10.22 | 23,270 | 71,468 |
| May | 10.64 | +0.10 | 10.69 | 10.47 | 3,956 | 38,187 |
| Jun | 10.80 | -0.01 | 10.87 | 10.70 | 2,408 | 31,933 |
| Jul | 10.95 | -0.04 | 11.00 | 10.90 | 1,048 | 13,088 |
| Aug | 11.12 | -0.05 | 11.21 | 11.11 | 415 | 6,077 |
| Total | | | | | n/a | n/a |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 30.45 | +0.16 | 30.70 | 30.15 | 15,086 | 42,190 |
| Apr | 31.20 | +0.15 | 31.30 | 30.85 | 5,493 | 24,949 |
| May | 31.70 | - | 31.95 | 31.70 | 1,271 | 15,183 |
| Jun | 32.55 | +0.10 | 32.65 | 32.40 | 2,057 | 13,719 |
| Jul | 33.50 | +0.15 | 33.55 | 33.35 | 495 | 11,793 |
| Aug | 34.25 | - | 34.40 | 34.25 | 1,276 | 9,493 |
| Total | | | | | 30,481 | 161,482 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 93.00 | - | 93.00 | 91.75 | 8,384 | 7,332 |
| Mar | 94.00 | - | 94.50 | 92.75 | 13,335 | 32,238 |
| Apr | 95.75 | +0.25 | 95.75 | 94.00 | 3,103 | 17,942 |
| May | 97.50 | -0.25 | 97.50 | 96.50 | 1,326 | 10,443 |
| Jun | 100.00 | -0.25 | 100.00 | 99.00 | 813 | 11,072 |
| Jul | 102.75 | - | 102.25 | 102.00 | 37 | 4,584 |
| Total | | | | | 31,821 | 127,439 |

■ NATURAL GAS IPE (1,000 therms; pence per therm)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 9.400 | +0.040 | 9.420 | 9.320 | 195 | 5,540 |
| Apr | 9.210 | - | - | - | - | 3,625 |
| Total | | | | | 495 | 27,739 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 1.795 | +0.020 | 1.810 | 1.760 | 36,557 | 58,475 |
| Apr | 1.825 | +0.010 | 1.840 | 1.800 | 11,909 | 29,055 |
| May | 1.860 | +0.008 | 1.870 | 1.838 | 4,287 | 16,241 |
| Jun | 1.885 | +0.005 | 1.890 | 1.860 | 2,212 | 15,959 |
| Jul | 1.920 | +0.010 | 1.920 | 1.900 | 1,199 | 14,624 |
| Aug | 1.940 | +0.005 | 1.950 | 1.920 | 959 | 11,283 |
| Total | | | | | 63,219 | 288,371 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 33.88 | +0.08 | 34.20 | 33.40 | 13,864 | 33,408 |
| Apr | 37.25 | +0.09 | 37.50 | 36.90 | 7,615 | 23,885 |
| May | 38.60 | -0.01 | 38.85 | 38.40 | 4,727 | 17,027 |
| Jun | 39.60 | -0.01 | 39.70 | 39.55 | 2,497 | 13,086 |
| Jul | 40.25 | -0.03 | 40.35 | 40.15 | 1,771 | 14,622 |
| Aug | 40.65 | - | - | - | 776 | 2,898 |
| Total | | | | | 32,030 | 113,176 |

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 73.70 | -0.40 | 74.10 | 73.40 | 206 | 1,413 |
| May | 74.60 | -0.15 | 74.90 | 74.45 | 568 | 3,851 |
| Jul | 76.40 | -0.30 | 76.75 | 76.25 | 87 | 836 |
| Sep | 75.75 | -0.25 | - | - | - | 157 |
| Nov | 77.50 | -0.30 | 77.60 | 77.45 | 56 | 1,902 |
| Jan | 79.50 | -0.40 | - | - | - | 396 |
| Total | | | | | 917 | 8,365 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 262.75 | -4.50 | 271.25 | 262.25 | 16,012 | 59,011 |
| May | 273.50 | -4.75 | 280.50 | 273.00 | 4,110 | 28,250 |
| Jul | 283.25 | -5.00 | 291.00 | 283.00 | 5,156 | 40,311 |
| Sep | 293.75 | -5.00 | 301.00 | 293.50 | 431 | 3,438 |
| Dec | 306.50 | -4.75 | 313.00 | 306.25 | 372 | 4,869 |
| Mar | 316.00 | -4.00 | 318.00 | 316.00 | 202 | 276 |
| Total | | | | | 26,285 | 134,186 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 216.00 | -4.25 | 220.75 | 215.50 | 39,426 | 140,116 |
| May | 222.50 | -3.75 | 227.00 | 222.25 | 11,333 | 79,036 |
| Jul | 228.00 | -3.00 | 232.25 | 227.50 | 7,138 | 75,003 |
| Sep | 234.75 | -2.00 | 237.50 | 234.50 | 980 | 18,873 |
| Dec | 241.75 | -2.25 | 244.75 | 241.50 | 7,220 | 44,001 |
| Mar | 249.25 | -2.50 | 252.00 | 249.25 | 330 | 5,083 |
| Total | | | | | 66,581 | 365,786 |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 77.00 | - | - | - | - | 227 |
| May | 78.00 | - | - | - | - | 70 |
| Sep | 75.75 | - | - | - | - | 35 |
| Nov | 78.00 | - | - | - | - | 255 |
| Jan | 80.00 | - | - | - | - | 20 |
| Total | | | | | 0 | 607 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 495.25 | -4.00 | 501.50 | 494.50 | 30,578 | 63,215 |
| May | 500.25 | -3.50 | 506.50 | 499.25 | 10,668 | 36,307 |
| Jul | 506.75 | -2.50 | 513.00 | 506.50 | 5,081 | 33,768 |
| Aug | 508.75 | -1.75 | 515.50 | 508.00 | 965 | 10,978 |
| Sep | 509.25 | -1.75 | 515.50 | 509.00 | 492 | 3,760 |
| Nov | 516.75 | -2.75 | 523.50 | 516.00 | 3,058 | 21,950 |
| Total | | | | | 60,989 | 179,267 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 20.63 | -0.05 | 20.85 | 20.43 | 8,694 | 48,935 |
| May | 20.89 | -0.06 | 21.08 | 20.70 | 4,961 | 32,384 |
| Jul | 21.12 | -0.07 | 21.30 | 20.90 | 2,514 | 21,162 |
| Aug | 21.23 | -0.07 | 21.40 | 21.10 | 638 | 6,763 |
| Sep | 21.32 | -0.07 | 21.55 | 21.15 | 316 | 5,420 |
| Oct | 21.35 | -0.08 | 21.55 | 21.25 | 205 | 2,932 |
| Total | | | | | 18,883 | 131,586 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 130.8 | -0.8 | 132.4 | 129.0 | 9,222 | 39,928 |
| May | 130.1 | -1.0 | 131.7 | 128.0 | 5,944 | 32,259 |
| Jul | 132.8 | -0.5 | 133.9 | 132.1 | 2,071 | 29,381 |
| Aug | 134.2 | -0.6 | 135.5 | 134.0 | 611 | 9,079 |
| Sep | 135.7 | -0.4 | 136.5 | 135.2 | 254 | 7,488 |
| Oct | 137.2 | +0.1 | 137.8 | 136.3 | 13 | 3,239 |
| Total | | | | | 19,151 | 128,125 |

■ POTATOES LIFFE (20 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 238.0 | - | - | - | - | - |
| Apr | 287.0 | -9.0 | 295.0 | 284.0 | 124 | 2,069 |
| May | 302.0 | -9.0 | - | - | - | 29 |
| Jun | 312.0 | -9.0 | - | - | - | - |
| Nov | 90.0 | - | - | - | - | 3 |
| Total | | | | | 124 | 2,134 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 830 | - | 830 | 830 | 6 | 202 |
| Mar | 870 | - | - | - | - | 167 |
| Apr | 925 | - | 925 | 925 | 1 | 1,013 |
| Jul | 800 | - | - | - | - | 602 |
| Oct | 925 | - | - | - | - | 376 |
| Total | | | | | 7 | 2,389 |

| | Close | Prev |
|---|---|---|
| BFI | 807 | 807 |

### PULP AND PAPER

■ POLPEX ONLX (US$; 24 air dry tons)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 395.75 | -4.25 | 398.25 | 394.25 | 35 | 417 |
| Jun | 420.00 | -4.00 | 422.00 | 417.00 | 50 | 304 |
| Total | | | | | 86 | 771 |

FUTURES DATA
*All futures data supplied by CMS.*

**Nuts and seeds** from Kennko London. $ per m/t. Iranian pistachios 28/30 Raw (in shell) naturally opened (round): Crop 1998: 28/30 at 2700/mt, FCA Europe, 20/22 at 3500/mt FCA Europe. All prices subject aflatoxin passage. 80 per cent RPPC goods have passed. Turkish hazelnuts 13/15 + 11/13, crop subject 1998 indication 4,200 CFR. Market uneasy due Turkish currency. Indian cashews crop 1998 CFR from top shippers: W320 at 5600, W240 at 6500. Market steady. US almonds Standard 5 per cent, crop 1998 at 3500. Indication for crop 1999 at 3250 FAS for St. 5 per cent. All FAS. Moldovian Walnuts crop 98 Light Halves and Pieces at 3750/mt CFR MEP (Duty Paid).

### SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 906 | +5 | 909 | 901 | 4,355 | 31,959 |
| May | 906 | +3 | 910 | 902 | 4,342 | 41,028 |
| Jul | 923 | +2 | 926 | 920 | 430 | 13,163 |
| Sep | 941 | +2 | 947 | 937 | 903 | 28,379 |
| Dec | 964 | +2 | 969 | 962 | 290 | 24,036 |
| Mar | 987 | +2 | 990 | 986 | 280 | 16,981 |
| Total | | | | | 10,708 | 194,886 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 1273 | -18 | 1302 | 1272 | 7,486 | 12,512 |
| May | 1296 | -21 | 1323 | 1295 | 7,513 | 32,506 |
| Jul | 1324 | -22 | 1347 | 1323 | 764 | 9,808 |
| Sep | 1353 | -22 | 1377 | 1367 | 9 | 5,295 |
| Dec | 1391 | -24 | 1416 | 1408 | 114 | 6,354 |
| Mar | 1429 | -24 | 1456 | 1440 | 15 | 6,355 |
| Total | | | | | 15,901 | 73,113 |

■ COCOA (ICCO) (SDR's/tonne)

| Feb 10 | Price | Prev. day |
|---|---|---|
| Daily | 1005.14 | 1001.85 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 1770 | +31 | 1770 | 1731 | 2,121 | 21,281 |
| May | 1685 | +31 | 1685 | 1652 | 2,491 | 16,176 |
| Jul | 1672 | +30 | 1670 | 1642 | 273 | 4,353 |
| Sep | 1664 | +30 | 1645 | 1638 | 81 | 2,195 |
| Nov | 1654 | +30 | 1625 | 1625 | 7 | 548 |
| Jan | 1649 | +30 | - | - | - | 262 |
| Total | | | | | 4,973 | 44,880 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 106.75 | +3.25 | 108.75 | 103.25 | 5,299 | 14,020 |
| May | 108.45 | +3.05 | 109.50 | 105.75 | 3,294 | 13,100 |
| Jul | 109.85 | +2.75 | 111.00 | 107.40 | 878 | 4,188 |
| Sep | 111.50 | +2.80 | 112.00 | 109.35 | 304 | 3,216 |
| Dec | 112.90 | +2.90 | 113.00 | 110.90 | 26 | 1,524 |
| Mar | 114.30 | +3.00 | 114.50 | 114.00 | 3 | 436 |
| Total | | | | | 9,804 | 36,594 |

■ COFFEE (ICO) (US cents/pound)

| Feb 10 | | Prev. day |
|---|---|---|
| Comp. daily | 92.36 | 91.84 |
| 15 day average | 93.11 | 93.17 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 231.6 | -2.9 | 233.5 | 228.0 | 2,873 | 4,640 |
| May | 222.8 | -4.9 | 227.2 | 219.9 | 3,147 | 23,508 |
| Aug | 217.3 | -4.5 | 221.2 | 215.4 | 1,455 | 9,951 |
| Oct | 209.2 | -3.9 | 212.5 | 208.7 | 922 | 7,703 |
| Dec | 212.5 | -2.4 | 214.9 | 212.0 | 111 | 1,832 |
| Mar | 214.5 | -3.6 | 217.0 | 214.2 | 269 | 1,663 |
| Total | | | | | 8,777 | 49,846 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 6.67 | -0.22 | 6.87 | 6.51 | 12,345 | 56,951 |
| May | 6.55 | -0.24 | 6.77 | 6.42 | 7,252 | 45,935 |
| Jul | 6.54 | -0.21 | 6.75 | 6.42 | 6,049 | 35,224 |
| Oct | 6.61 | -0.19 | 6.97 | 6.73 | 2,679 | 22,239 |
| Mar | 7.23 | -0.15 | 7.36 | 7.19 | 478 | 13,744 |
| May | 7.30 | -0.15 | 7.44 | 7.30 | 10 | 2,397 |
| Total | | | | | 28,827 | 178,371 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 56.52 | -1.58 | 57.75 | 56.00 | 5,133 | 23,247 |
| May | 57.53 | -1.56 | 58.58 | 57.50 | 3,999 | 21,680 |
| Jul | 58.33 | -1.34 | 59.30 | 58.30 | 1,306 | 13,183 |
| Oct | 59.28 | -0.87 | 59.76 | 59.46 | 40 | 1,627 |
| Dec | 59.88 | -0.82 | 60.40 | 59.80 | 1,462 | 14,696 |
| Mar | 60.90 | -0.80 | 61.30 | 60.90 | 139 | 1,859 |
| Total | | | | | 12,118 | 76,981 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 84.05 | -8.20 | 93.85 | 83.10 | 5,273 | 14,876 |
| May | 88.45 | -5.00 | 91.50 | 88.45 | 1,085 | 8,163 |
| Jul | 87.75 | -5.00 | 90.80 | 87.75 | 507 | 3,385 |
| Sep | 88.60 | -5.00 | 91.00 | 88.60 | 45 | 823 |
| Nov | 88.60 | -5.00 | 90.60 | 88.60 | 48 | 655 |
| Jan | 88.60 | -5.00 | 88.60 | 88.60 | 8 | 346 |
| Total | | | | | 6,935 | 28,431 |

**VOLUME DATA**
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

### INDICES

■ Reuters (Base: 18/9/31 = 100)

| Feb 11 | Feb 10 | month ago | year ago |
|---|---|---|---|
| 1440.7 | 1441.1 | 1511.3 | 1729.8 |

■ CRB Futures (Base: 1967 = 100)

| Feb 10 | Feb 9 | month ago | year ago |
|---|---|---|---|
| 188.37 | 186.95 | - | - |

■ GSCI Spot (Base: 1970 = 100)

| Feb 10 | Feb 9 | month ago | year ago |
|---|---|---|---|
| 132.97 | 132.84 | 140.44 | 171.53 |

LME WAREHOUSE STOCKS (tonnes)

| | | | |
|---|---|---|---|
| Aluminium | -175 | to | 807,250 |
| Aluminium alloy | -100 | to | 92,900 |
| Copper | +4,575 | to | 676,375 |
| Lead | -250 | to | 107,475 |
| Nickel | -354 | to | 63,708 |
| Zinc | -375 | to | 310,150 |
| Tin | +65 | to | 7,260 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 64.925 | -0.525 | 65.550 | 64.850 | 2,923 | 11,964 |
| Apr | 67.125 | -0.100 | 67.450 | 66.950 | 7,910 | 51,676 |
| Jun | 65.575 | -0.075 | 65.875 | 65.350 | 1,779 | 27,930 |
| Aug | 64.875 | -0.150 | 65.100 | 64.800 | 495 | 13,071 |
| Oct | 66.075 | - | 66.200 | 65.850 | 389 | 7,662 |
| Dec | 67.025 | - | 67.200 | 66.950 | 99 | 3,689 |
| Total | | | | | 13,598 | 116,483 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 42.000 | -0.625 | 42.150 | 41.800 | 1,517 | 5,611 |
| Apr | 46.275 | -0.575 | 47.150 | 46.150 | 4,186 | 17,300 |
| Jun | 56.000 | -0.200 | 56.800 | 55.800 | 1,292 | 9,009 |
| Jul | 56.575 | -0.050 | 56.900 | 56.100 | 504 | 3,923 |
| Aug | 56.925 | -0.050 | 57.200 | 56.650 | 188 | 3,568 |
| Oct | 55.400 | -0.550 | 55.975 | 55.350 | 200 | 3,950 |
| Total | | | | | 7,890 | 45,495 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 55.800 | -1.650 | 57.100 | 55.250 | 448 | 881 |
| Mar | 56.350 | -1.175 | 57.950 | 56.050 | 1,184 | 3,254 |
| May | 57.750 | -0.650 | 59.000 | 57.250 | 271 | 1,376 |
| Jul | 58.000 | -1.300 | 58.500 | 57.700 | 34 | 685 |
| Total | | | | | 1,981 | 6,427 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Mar | Jun | Mar | Jun |
| 1150 | 56 | 90 | 3 | 16 |
| 1200 | 21 | 58 | 18 | 32 |
| 1250 | 5 | 34 | 51 | 57 |
| ■ COPPER (Grade A) LME | Mar | Jun | Mar | Jun |
| 1450 | 32 | 84 | 23 | 49 |
| 1500 | 12 | 59 | 53 | 73 |
| 1550 | 3 | 40 | 95 | 103 |
| ■ COFFEE LIFFE | Mar | May | Mar | May |
| 1650 | 121 | 85 | 1 | 50 |
| 1700 | 74 | 60 | 4 | 75 |
| 1750 | 37 | 40 | 17 | 105 |
| ■ COCOA LIFFE | Mar | May | Mar | May |
| 900 | 14 | 37 | 8 | 3 |
| 925 | 4 | 26 | 23 | 45 |
| 950 | 1 | 18 | 46 | 62 |
| ■ BRENT CRUDE IPE | Mar | Apr | Mar | Apr |
| 1000 | - | - | 3 | 33 |
| 1050 | - | - | - | - |
| 1100 | 3 | - | - | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

| | | +or- |
|---|---|---|
| Dubai | $9.72-9.88x | +0.045 |
| Brent Blend (dated) | $9.87-9.92 | +0.035 |
| Brent Blend (Mar) | $10.19-0.24 | -0.045 |
| W.T.I. | $11.96-1.93x | +0.04 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $117-119 | |
| Gas Oil | $95-96 | |
| Heavy Fuel Oil | $55-57 | |
| Naphtha | $94-96 | +1 |
| Jet fuel | $110-114 | -2.5 |
| Diesel | $102-103 | -1.5 |

■ NATURAL GAS (Pence/therm)

| | | |
|---|---|---|
| Bacton (Mar) | 9.38-9.42 | +0.035 |

*Petroleum Argus. Tel. London (0171) 359 8792*

■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)‡ | $287.95 | +0.70 |
| Silver (per troy oz)‡ | 549.50c | -3.00 |
| Platinum (per troy oz.) | $359.50 | -0.50 |
| Palladium (per troy oz.) | $357.00 | -2.00 |
| Copper | 71.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 19.53r | +0.23 |
| Tin (New York) | 226.5 | -3.0 |
| Cattle (live weight) | 94.31p | +2.98* |
| Sheep (live weight) | 91.61p | +14.70* |
| Pigs (live weight)† | 52.53p | +4.11* |
| Lon. day sugar (raw) | $171.40 | +1.40 |
| Lon. day sugar (wte) | $234.50 | +1.50 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Mar)♥ | 47.00p | -1.25 |
| Rubber (Apr)♥ | 48.00p | -0.50 |
| Rubber (KL RSS No1) | 282.00m | -4.50 |
| Coconut Oil (Phil)§ | 757.5 | -2.5 |
| Palm Oil (Malay.)§ | 532.50 | -20.0 |
| Copra (Phil)§ | 460.0y | |
| Soyabeans (US) | 148.5y | |
| Cotton Outlook 'A' Index | 58.35 | -0.20 |
| Wooltops (64s Super) | 299p | |

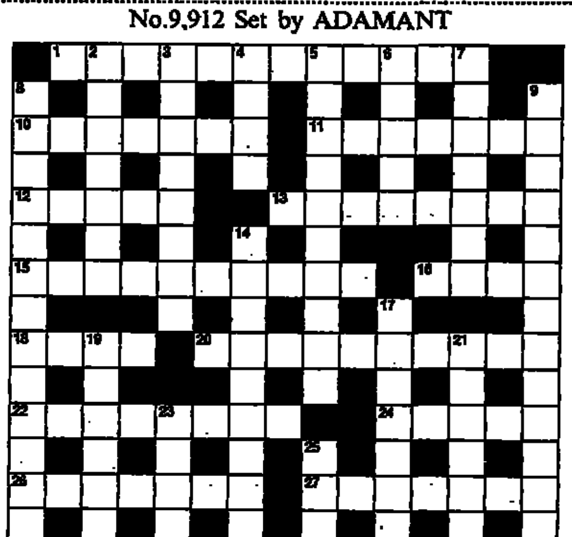
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. x Mar. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 2,492 head of pigs sold.

**JOTTER PAD**

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

## CROSSWORD

No.9,912 Set by ADAMANT



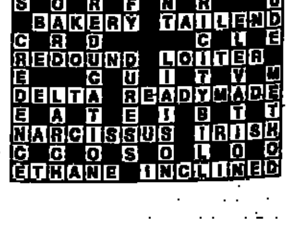
**ACROSS**

1 One who gives marks for accounts of other countries, for example (5,7)
10 Vague shape of an external telephone (7)
11 More hygienic to be born in the open (7)
12 Pictures of sonic disturbance (5)
13 Hurrying up the other list, so hung around (8)
15 They look out for swirling vortex and rest uneasily (10)
16 Monster revealed in a log, record or diary (4)
18 Unable to generate a lower note (4)
20 The rest of Iran could be an ecological zone (4,6)
22 Popular twins, for example, have one article as badge of office (8)
24 Oliver's dance (5)
26 Self-important person (7)
27 Part of motor magazine ends on bad note (7)
28 Licenses date of conversion to food store (12)

**DOWN**

2 Mail that is going off to distant spot (7)
3 Sending out leader of expeditionary bombing flight (8)
4 Hints that the copper's swallowed the drug (4)
5 Report by worker for financier (10)
6 Visitor hazarded the answer, we hear (5)
7 Tearing off the right conclusion (7)
8 Inspector, perhaps, alters price of life cover when retiring minister leaves (6,7)
9 Falling to bits (13)
14 Cage? It's ill-constructed, but within the law (10)
17 Their lives may depend on other people dropping some money (8)
19 A confused don accepted science graduate would escape the legal process (7)
21 Piece broken, born in France and common to both sexes (7)
23 Question the source of heat (5)
25 Rude jokes must be amended (4)

**Solution 9,911**



# FT MANAGED FUNDS SERVICE



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA
(FSA RECOGNISED)

Fidelity Currency Funds Ltd

### BERMUDA
(REGULATED)(**)

### CAYMAN ISLANDS
(REGULATED)(**)

MFS Meridian Funds - Contd.

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

Morgan Stanley Dilts Advisory Mortgage Fd Inc

### GUERNSEY
(FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

### GUERNSEY
(REGULATED)(**)

### IRELAND
(FSA RECOGNISED)

AIB Fund Management Ltd

ABN AMRO Global Liquidity Funds Plc (x)

Aberdeen Prolific Intl Fund Plc

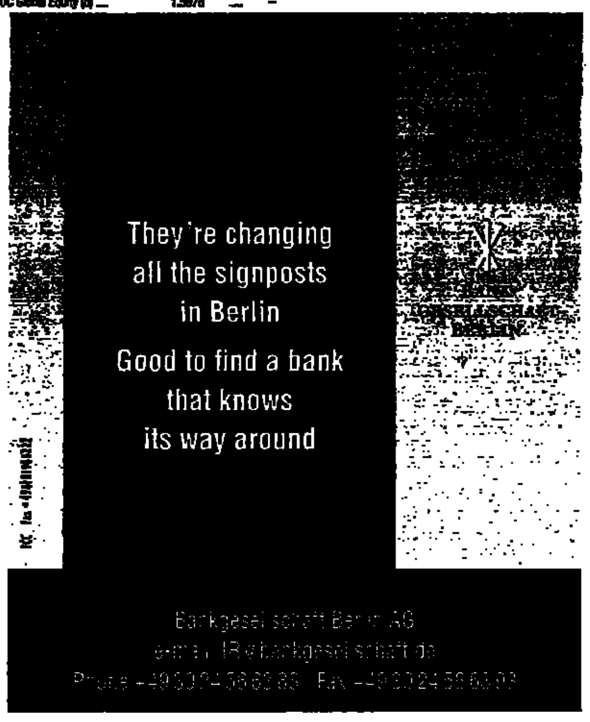
Bank of Cyprus Group

BOC International Fund Management Ltd

GT Global - Contd.

Global Asset Management (GAM)

For Guinness Flight see Investec Guinness Flight




Baring Intl Fd Mngrs (Ireland) Ltd

The Halal Mutual Investment Company Plc

Henderson Crosthwaite Investment Co

### IRELAND
(REGULATED)(**)

AIB Fund Management Ltd

AIG Asset Management Ltd

AIM Capital Funds Plc (x)

General & Cologne Re Fd Mgrs (Ireland) Ltd

Global Euro-Asia Investment

Global Resources Stock Fund

The Golden Gate Fund Plc

Goldman Sachs

Gordon House Asset Management Ltd

HSBC Asset Management

Prudential Securities Futures Mgmt Inc

Putnam World Trust

RMB Global Fund

Rothschild Asset Management (Ireland) Ltd

J. Rothschild International Assets plc

### ISLE OF MAN
(FSA RECOGNISED)

### ISLE OF MAN
(REGULATED)(**)

### JERSEY
(FSA RECOGNISED)

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Barclays International Funds
PO Box 152, St Helier, Jersey CI 01534 812700

Minerals, Oils Res. Shrs. Fd. Inc.
Moves Feb 11 — $15.70 16.03 +0.19 2.86

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

SG Hambros Fund Managers (Jersey) Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

Lloyds Bank (CI) U/T Mngrs.
PO Box 311, St Helier, Jersey 01534 284342

Lloyds TSB Fund Managers (CI) Ltd

## LUXEMBOURG (FSA RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (REGULATED)(**)

## OFFSHORE INSURANCES

هكذا من الأصل

هكذا من الأصل



# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OTHER OFFSHORE FUNDS



### ● MANAGED FUNDS NOTES

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | + or - | 52 week high | 52 week low | Volume '000s | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | ♣ | 457xd | +7½ | 646 | 385 | 15,380 | 5.6 | 11.8 |
| Bulmer (HP) | | 280½xd | — | 412½ | 282 | 2 | 6.6 | 12.7 |
| Burn Stewart | | 14 | — | 30½ | 7 | 25 | – | – |
| Diageo | ♣ | 690½ | +3 | 796 | 475 | 7,909 | 3.0 | 18.7 |
| Glenmorangie A | † | 700 | +5 | 909 | 625 | – | 2.6 | 19.0 |
| B | † | 827½ | — | 980 | 810 | – | 1.1 | 44.9 |
| Highland | | 252½ | -1 | 325 | 225 | 8 | 4.6 | 11.5 |
| 5½pc Cv Sb Bd | | 98¼ | — | 109½ | 90½ | – | 9.9 | – |
| Kirin Y | | 798¼xd | +3 | 814¼ | 457¼ | – | 0.9 | 55.5 |
| Merrydown | | 27 | - | 64½ | 19½ | – | – | ♦ |
| Seagram C$ | | £28½ | +½ | £28⅛ | £14⅞ | – | 0.9 | – |

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CONSTRUCTION

## CONSTRUCTION - Continued

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Continued

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## FOOD PRODUCERS

## FOOD PRODUCERS - Continued

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Continued

## HOUSEHOLD GOODS & TEXT

## INSURANCE

## INSURANCE - Continued

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Continued

## INV TRUSTS SPLIT CAPITAL

# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LIFE ASSURANCE

## MEDIA

## MEDIA - Continued

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## PROPERTY

## PROPERTY - Continued



## PROPERTY - Continued

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SUPPORT SERVICES

## SUPPORT SERVICES - Continued

## TELECOMMUNICATIONS

## TOBACCO

## TRANSPORT

## TRANSPORT - Continued

## WATER

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

## TRADED INDEX SECURITIES

## AIM

### Alternative Investment Market

## AIM - Continued

## GUIDE TO LONDON SHARE SERVICE

## FT Free Annual Reports Club

## FT Cityline

## The FT web site

# LONDON STOCK EXCHANGE

# Banks and telecoms trigger strong Footsie rally

**MARKET REPORT**

By Steve Thompson,
UK Stock Market Editor

Bolstered by excellent news from two of the FTSE 100's real heavyweights – Barclays Bank and BT – the London market's front-line stocks ran ahead strongly yesterday, ending six straight sessions of often sizeable losses.

And its rally, originally domestically driven, was given increased thrust by a much healthier performance by Wall Street overnight and again at the outset yesterday. "There was a worry that perhaps the UK market really was in a steep decline – the so-called long awaited correction – but today's rally was driven by quality buying," said the head of sales at one London broker.

He said the sudden burst of buying interest in London came as the institutions began to back the market in the wake of the Bank of England's quarterely inflation report.

The report, although insisting that inflation would hit the government's target of 2.5 per cent for the next two years, said the domestic economy would slow down and record a 0.5 per cent to 1 per cent increase in gross domestic product this year.

"It's not only the hope that we'll get more interest rate cuts in the coming months," said one marketmaker, "but the market is still looking for more big bids, which will mean more cash coming straight back into the market."

Takeover news continued apace this week but was mostly concentrated in the smallcap area of the market.

The FTSE 100, which had fallen almost 250 points, or 4 per cent, during the previous six trading sessions, recouped 118.3 or 2 per cent during yesterday's session, eventually finishing at 5,888.5.

And the midcaps, which had backtracked for four consecutive sessions, also perked up, the 250 index rallying 29.4 to 5,187.0.

The FTSE SmallCap index, meanwhile, resumed its upward path, which had been brought to an abrupt halt on Wednesday, closing 9.5 higher at 2,225.8.

Wall Street's overnight rally saw the Dow Jones Industrial Average rally 44 points in spite of widespread further weakness across the high-tech and internet areas, one of the reasons behind the US market's recent unhappy performance.

And the Dow delivered a powerful upward move yesterday, with the average threatening a three-figure gain not long after London markets closed for the day.

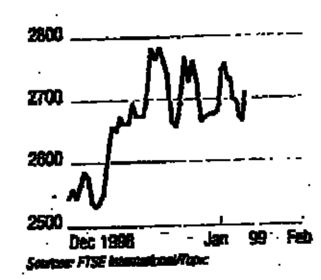
Dealers said they expected Wall Street to run on and make further progress ahead of Monday's closure of US markets, which celebrate President's day.

There was no doubting the driving forces in London, however, where telecom, cable and media stocks took the top four positions in the FTSE 100 table, led by BT whose stock price leapt over 11 per cent.

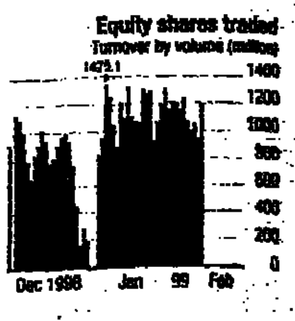
And the banks, which account for around 15 per cent of the FTSE All-Share index and 17 per cent of the FTSE 100, were also being chased higher on the view that the recent sell-off in the sector had been overdone.

Turnover in equities remained at historically high levels reached 1.2bn shares with FTSE 100 stocks accounting for 57 per cent of the market total.

**FTSE All-Share index**



**Equity shares traded**
Turnover by volume (million)



Source: FTSE International/Topic

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FTSE 100 | 5888.5 | +119.3 | FT 30 | 3598.1 | +58.0 |
| FTSE 250 | 5187.0 | +29.4 | FTSE Non-Fins p/e | 24.05 | 23.80 |
| FTSE 350 | 2803.4 | +49.9 | FTSE 100 Fut Mar | 5902.0 | +128.0 |
| FTSE All-Share | 2711.71 | +48.55 | 10 yr Gilt yield | 4.45 | 4.48 |
| FTSE All-Share yield | 2.85 | 2.90 | Long gilt/equity yld ratio | 1.56 | 1.54 |

**Best performing sectors**

1. Telecommunications +7.3
2. Pharmaceuticals +3.4
3. Banks/Retail +3.4
4. Services +2.7
5. Gas Distribution +2.2

**Worst performing sectors**

1. Engineering: Vehicles -3.9
2. Tobacco -2.8
3. Oil Exploration & Prod -2.3
4. Breweries: Pubs & Rest -2.2
5. Paper Pckg & Printing -2.2

# Delight at BT numbers

**COMPANIES REPORT**

By Peter John, Joel Kibazo
and Martin Brice

Analysts could barely hide their pleasure at better third-quarter figures than expected from British Telecommunications that sent the company's shares and the sector sharply higher.

Bumper sales helped overshadow a 16 per cent decline in profits of £858m, which were well ahead of market expectations of between £698m and £792m.

Shares in the group soared 101½ or 11 per cent to £10.09½, by far the best performer in the FTSE 100. Busy trading brought volume of 32m.

The company said that increased use of the internet and a significant increase in calls to mobile phones have been the main factors behind a sharp rise in inland calls over its fixed network in the third quarter.

BT fan Chris Godsmark at Henderson Crosthwaite believes the group is "developing sound strategies for the data and the internet". He raised his 12-month share price target from £11 to £12.

The strong performance of BT cheered the whole sector. Colt Telecom rose 85 to £11.33 while Cable and Wireless hardened 49 to 824½p. Telewest Communications appreciated 11¼ to 249¾p.

Among mobile operators, Vodafone Group rose 29¼ to £10.93¼ while Orange ended the day 31 ahead at 847p and Securicor, joint owner of Cellnet with BT, put on 11¾ to 591¾p.

Cellnet said it had added 658,000 to its customer base in the three months to the end of December 1998.

One sector specialist said: "I think BT is still very much interested in gaining full control of Cellnet by buying out Securicor. But I think BT is stalling."

Banking stocks drove the market forward as hopes started to build for the sector ahead of important figures from Lloyds TSB today.

The high street bank is expected to produce a 25 per cent dividend rise with a 7 per cent slide in profits to around £3bn. But the key will be the message on prospects and, if it is good, analysts believe the sector – which represents almost 15 per cent of the entire UK market – could take off.

"The big bear stories on margins and bad debts are not really happening," said Neil Baker at Dresdner Kleinwort Benson. He has taken a view on the outlook by issuing a note which stresses the prospect of better business progression for the domestic banks during the second half.

He has reiterated his "buy" recommendations on Lloyds and Royal Bank of Scotland and turned more positive on Woolwich and Halifax.

The sense of excitement was stimulated further by news that Barclays was appointing a deal-maker as its new chief executive.

Lloyds rose 26¼ to 784¼p, RBoS 9 to £11.29¼, Woolwich 12¾ to 334¾p, Halifax 27 to 736p and Barclays 74 to £14.20.

Shell Transport came up with figures below the bottom of the range of forecasts and the shares fell 7 to 332½p in a generally sluggish sector.

Susy Mayne at BT Alex Brown said: "It is difficult to see how these numbers are going to turn round sentiment, so it is difficult to see why you will get material buying."

BAT was a nicotine stain on the overall performance. The shares slipped after a US court fined Philip Morris $50m in punitive damages for a cancer-stricken smoker.

However, the market has become increasingly cynical about the ultimate impact of US tobacco litigation, and while the shares were expected to be down as much as 100p by some technical analysts, they fell only 24¼ to 588½p.

Tim Young at Teather & Greenwood said: "This is clearly going to be overturned on appeal and the market is waking up to the reality of the situation."

Cookson was one of the best performers in the market following its announcement of a £14.5m cost-cutting exercise and its prediction that profits would be £150m, at the top end of analysts' expectations.

## Investor enthusiasm

The news also added to evidence that the semiconductor market was stronger than expected. Brisk trade of 8.5m spoke volumes for investor enthusiasm for the stock, which rose almost 10 per cent or 12 to 140½p.

The move prompted a raft of positive comment. John Nuttall at WestLB Panmure said: "On a p/e relative of 37, the Cookson share price was discounting the worst. Today's statement will surprise many and will allow analysts to meaningfully upgrade next year's forecasts." He has a short-term price target of 200p.

Mark Cusack at Deutsche Bank moved from neutral to outperform. At Merrill Lynch, Ian Rennardson said the risks to his estimates were on the upside.

Selected utilities moved forward as investors responded to a punchy Merrill Lynch review that argued the outlook was "as good as it gets". Merrill particularly likes PowerGen, which rose 18½ to 867½p, and BG, up 8¼ at 362¼p.

Panmure Gordon likes National Power, up 9½ at 521p, and United Utilities, up 14 at 826p.

Housebuilders continued to do well as the lower interest rate story combined with hopes that the UK economy would enjoy a soft landing, rather than a recession. George Wimpey was up 8 at 131¼p, taking it to levels not seen since early last year. Berkeley Group also returned to levels it enjoyed before market volatility took its toll, and gained 33¾ to 565p.

Further evidence of strength in the housing market came from Countryside Properties, which said sales inquiries were ahead 9 per cent. It rose 5 to 97p.

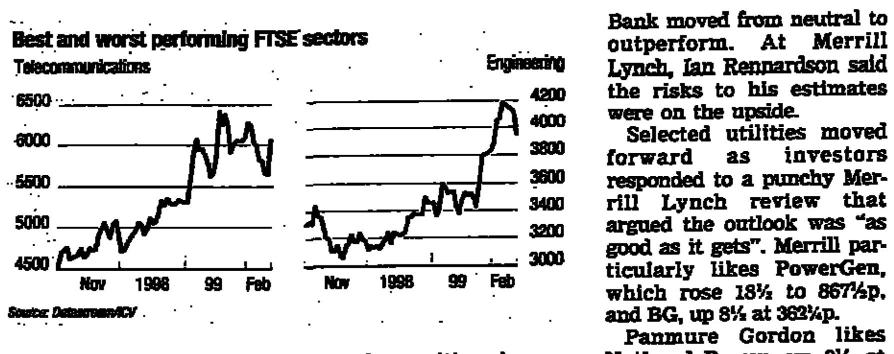
Spirits group Allied Domecq declined 7½ to 451p, as several brokers turned negative on the stock.

Schroders was said to have advised clients to switch out of Allied into Diageo, 3 up at 650½p. BT Alex Brown downgraded its rating on the stock from "market perform" to "underperform".

Powderject Pharmaceuticals soared on news of a collaboration with Switzerland's Ares-Serono worth up to $100m. The shares, at 180p just two years ago, achieved one of the best performances in the market as they rose 23 per cent or 163 to 870p.

It also laid out plans for its own pipeline of vaccines, to be funded via a placing and open offer of 8m shares at 670p, to raise £52m through Robert Fleming.

**Best and worst performing FTSE sectors**



Source: Datastream/ICV

## FT 30 INDEX

| | Feb 11 | Feb 10 | Feb 9 | Feb 8 | Feb 5 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3598.1 | 3540.1 | 3541.1 | 3584 | 3601 | 3428.5 | 4004.9 | 2790.6 |
| Ord. div. yield | 2.90 | 2.97 | 2.96 | 2.93 | 2.92 | 3.14 | 4.22 | 2.72 |
| P/E ratio net | 23.10 | 22.61 | 22.65 | 22.88 | 22.97 | 22.56 | 25.41 | 15.80 |
| P/E ratio nil | 23.01 | 22.52 | 22.56 | 22.79 | 22.88 | NA | 25.19 | 15.71 |

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35

FT 30 hourly changes

| 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | High | Low |
|---|---|---|---|---|---|---|---|---|---|
| 3540.1 | 3569.9 | 3562.5 | 3574.6 | 3587.2 | 3571.9 | 3588.6 | 3579.4 | 3598.8 | 3540.1 |



## STOCK MARKET TRADING DATA

| | Feb 11 | Feb 10 | Feb 9 | Feb 8 | Feb 5 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 72,185 | 69,491 | 69,838 | 74,722 | 74,587 | na |
| Equity turnover (£m)† | - | na | 3957.8 | 3882.4 | 4178.2 | na |
| Equity bargains† | - | na | 61,287 | 66,606 | 64,651 | na |
| Shares traded (m)† | - | na | 980.9 | 1004.9 | 1109.8 | na |
| Total market bargains‡ | - | 71,694 | 76,972 | na | na | - |
| Total turnover (£m)‡ | - | 4814.8 | 4953.2 | na | na | - |
| Total shrs traded (m)‡ | *1200.8 | 1207.6 | 1222.3 | na | na | - |
| Tradepoint turnover (£m) | 44.0 | 40.0 | 37.6 | 26.8 | 28.5 | 49.9 |
| Tradepoint shrs traded(m) | 12.8 | 13.9 | 14.0 | 13.9 | 12.3 | 12.4 |

†Excluding intra-market and overseas turnover but including Crest turnover *UK only total at 6pm. ‡ UK plus intra-market turnover.

**London market data**

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 912 | Total Highs | 35 | Total contracts | 30,370 |
| Total Falls | 515 | Total Lows | 36 | Calls | 17,484 |
| Same | 1,437 | | | Puts | 12,886 |

Feb 11 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

**FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 5780.0 | 5902.0 | +128.0 | 5948.0 | 5763.0 | 24623 | 168208 |
| Jun | 5930.0 | 5936.0 | +128.0 | 5930.0 | 5930.0 | 48 | 18318 |
| Sep | - | 5976.0 | +128.0 | - | - | 0 | 1850 |

**FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 5174.0 | +29.0 | - | - | 0 | 3341 |
| Jun | - | 5185.0 | +29.0 | - | - | 0 | 4665 |

**FTSE 100 INDEX OPTION (LIFFE) (*5888) £10 per full index point** Feb 11

| | 5700 C | 5700 P | 5750 C | 5750 P | 5800 C | 5800 P | 5850 C | 5850 P | 5900 C | 5900 P | 5950 C | 5950 P | 6000 C | 6000 P | 6050 C | 6050 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb | 248 | 34 | 207 | 43½ | 171½ | 58½ | 137 | 74½ | 108 | 97 | 81½ | 120½ | 61 | 151½ | 40½ | 184 |
| Mar | 281½ | 153 | 316 | 170½ | 285½ | 187½ | 258 | 206 | 228½ | 229 | 197½ | 250 | 170½ | 275 | 140½ | 304 |
| Apr | 439 | 226 | 407½ | 247 | 378½ | 258 | 345 | 289 | 313½ | 310 | 282 | 331½ | 259½ | 353 | 229½ | 381 |
| May | 521½ | 301½ | 490 | 321 | 459 | 340½ | 428 | 360 | 397½ | 380½ | 367 | 400½ | 336½ | 421½ | 308 | 447 |
| Jun† | 574 | 352 | | | 518 | 382 | | | 467½ | 432½ | | | 404½ | 473 | | |

Calls 2,271 Puts 1,219

**EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point** Feb 11

| | 5725 C | 5725 P | 5775 C | 5775 P | 5825 C | 5825 P | 5875 C | 5875 P | 5925 C | 5925 P | 5975 C | 5975 P | 6025 C | 6025 P | 6075 C | 6075 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb | 228½ | 40 | 198 | 52 | 155½ | 67 | 122½ | 85½ | 95 | 105½ | 72½ | 134 | 54½ | 166 | 37½ | 199 |
| Mar | 335 | 157 | 298½ | 173½ | 269 | 192 | 240 | 213 | 212 | 235 | 185½ | 258 | 160½ | 283 | 137 | 308 |
| Apr | 419 | 232 | 385½ | 245½ | 353 | 264½ | 323 | 284½ | 295½ | 306½ | 269½ | 330 | 243½ | 353½ | 219 | 378½ |
| Jun | 558 | 352 | | | 489½ | 378 | | | 434 | 423 | | | 382 | 469½ | | |
| Sept | 789 | 405 | | | 647½ | 501½ | | | 587½ | 538½ | | | 534 | 591½ | | |

Calls 7,224 Puts 4,263. * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1998/9 High | 1998/9 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Gs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 15.0 | 100 | 95 | AIM VCT | 100 | | - | - | - | - |
| - | F.P. | - | 95½ | 88 | Abbey Natl Dublin | 88 | | - | - | - | - |
| - | F.P. | - | 101½ | 101½ | Acorn Income Fd | 101½ | | - | - | - | - |
| § | F.P. | 36.0 | 123 | 116½ | BFS O'seas Inc | 120 | | Ln12.65 | - | 10.5 | - |
| § | F.P. | 3.96 | 103 | 56 | Do Cap | 99 | | - | - | - | - |
| - | F.P. | 15.0 | 100 | 90 | Close Bros Dev VCT | 100 | | - | - | - | - |
| * | F.P. | 36.9 | 7¼ | 7 | Gander Properties | 7 | | - | - | - | - |
| § | F.P. | 48.8 | 109½ | 94¼ | Jupiter Enhanced | 98 | | - | - | - | - |
| § | F.P. | 47.3 | 110 | 103¾ | Do Zero Div Prf | 106½ | | - | - | - | - |
| § | F.P. | 15.0 | 100 | 100 | Singer&Fid AIM VCT | 100 | | - | - | - | - |
| - | F.P. | 27.0 | 98 | 87½ | Yeoman II IT Inc | 97½ | | v9.8 | - | 10.1 | - |
| - | F.P. | 7.83 | 8 | 4 | Do Cap | 5 | | - | - | - | - |
| - | F.P. | 31.0 | 117½ | 102 | Do Zero Div Prf | 116½ | | - | - | - | - |
| - | F.P. | - | 104 | 98 | Do Equity Units | 103 | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renun. date | 1998/99 High | 1998/99 Low | Stock | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 40 | Nil | 25/2 | ¼pm | ¼pm | Ambient Media | ¼pm | - |

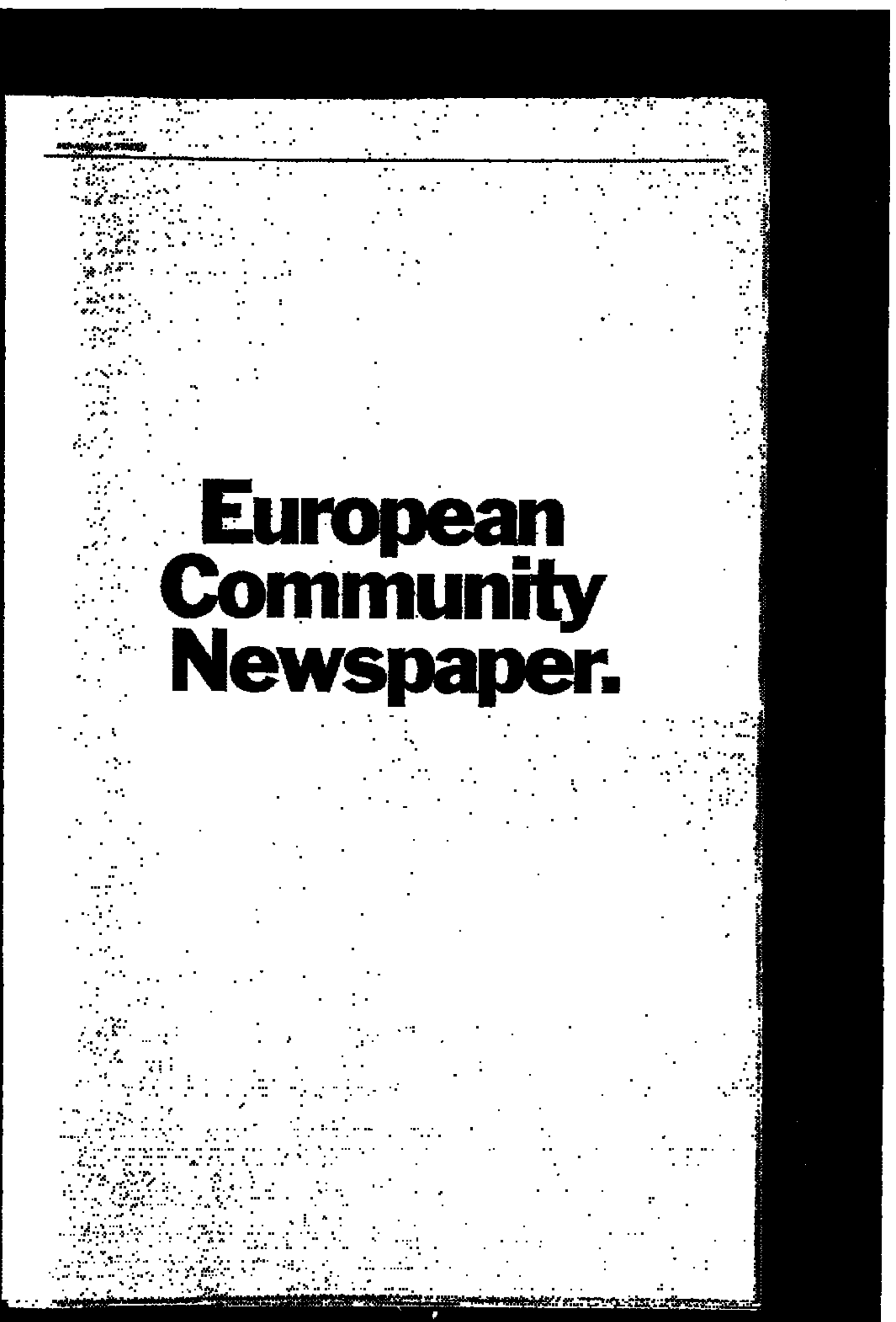
pm premium.

## FTSE GOLD MINES INDEX

| | Feb 10 | % chg on day | Feb 9 | Year ago | Gross div yield % | Total return | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (29) | 938.26 | -0.3 | 933.07 | 1113.58 | 2.88 | 936.34 | 1351.57 | 781.88 |
| **Regional Indices** | | | | | | | | |
| Africa (9) | 999.75 | -1.5 | 1014.69 | 1184.19 | 4.20 | 1013.04 | 1488.04 | 785.63 |
| Australasia (9) | 1162.81 | -1.5 | 1180.19 | 1410.04 | 2.67 | 1174.22 | 1600.53 | 815.93 |
| Americas (11) | 872.55 | 0.5 | 867.85 | 1060.21 | 0.93 | 874.99 | 1317.41 | 847.88 |

 Figures in brackets show number of companies. Basis US Dollars. Base Value. 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.





## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | £ Stlg Feb 11 | Day's chge% | Euro Index | £ Stlg Feb 10 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5888.5 | +2.1 | 6602.4 | 5770.2 | 5552.5 | 2.73 | 2.35 | 1.90 | 24.03 | 2.70 | 2608.29 |
| FTSE 250 | 5187.0 | +0.6 | 5815.9 | 5157.6 | 4983.9 | 3.23 | 2.79 | 2.13 | 18.17 | 6.39 | 2259.41 |
| FTSE 250 ex Inv Tr | 5224.3 | +0.5 | 5857.7 | 5196.0 | 5011.5 | 3.35 | 2.90 | 2.22 | 16.85 | 6.43 | 2285.73 |
| FTSE 350 | 2803.4 | +1.8 | 3143.3 | 2753.5 | 2651.5 | 2.81 | 2.42 | 1.94 | 22.86 | 1.63 | 2538.55 |
| FTSE 350 ex Inv Tr | 2809.7 | +1.8 | 3150.3 | 2758.9 | 2656.6 | 2.82 | 2.43 | 1.96 | 22.63 | 1.61 | 1305.04 |
| FTSE 350 Higher Yield | 2613.2 | +1.6 | 2930.1 | 2572.7 | 2646.9 | 3.91 | 3.33 | 1.85 | 17.25 | 1.37 | 2031.76 |
| FTSE 350 Lower Yield | 3004.0 | +2.0 | 3368.2 | 2943.7 | 2672.0 | 1.73 | 1.52 | 2.15 | 33.61 | 1.92 | 2201.02 |
| FTSE SmallCap | 2225.76 | +0.4 | 2495.62 | 2216.25 | 2425.11 | 3.66 | 3.04 | 2.06 | 16.37 | 4.05 | 1989.47 |
| FTSE SmallCap ex Inv Tr | 2199.77 | +0.4 | 2466.47 | 2191.70 | 2414.88 | 3.88 | 3.22 | 2.21 | 14.58 | 4.00 | 1968.59 |
| FTSE All-Share | 2711.71 | +1.7 | 3040.49 | 2665.16 | 2584.61 | 2.85 | 2.45 | 1.95 | 22.44 | 1.75 | 2492.40 |
| FTSE All-Share ex Inv Tr | 2721.90 | +1.8 | 3051.91 | 2674.34 | 2591.59 | 2.87 | 2.46 | 1.97 | 22.12 | 1.70 | 1287.23 |
| FTSE Fledgling | 1216.71 | +0.3 | 1364.23 | 1212.99 | 1318.29 | 4.09 | 3.33 | 1.40 | 21.77 | 2.04 | 1372.43 |
| FTSE Fledgling ex Inv Tr | 1228.90 | +0.3 | 1377.90 | 1225.63 | 1335.30 | 4.67 | 3.80 | 1.45 | 18.45 | 2.17 | 1394.04 |
| FTSE All-Small | 1261.62 | +0.4 | 1414.58 | 1256.55 | 1372.71 | 3.75 | 3.10 | 1.93 | 17.27 | 2.26 | 1425.06 |
| FTSE All-Small ex Inv Tr | 1270.76 | +0.3 | 1424.85 | 1266.37 | 1392.14 | 4.04 | 3.34 | 2.03 | 15.21 | 2.30 | 1446.33 |
| FTSE AIM | 824.9 | +0.1 | 924.9 | 824.4 | 998.9 | 1.36 | 1.10 | 0.80 | 80.00† | 0.61 | 767.68 |

**FTSE Actuaries Industry Sectors**

| | £ Stlg Feb 11 | Day's chge% | Euro Index | £ Stlg Feb 10 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 RESOURCES(18) | 3944.04 | -0.9 | 4422.23 | 3979.33 | 4334.36 | 3.69 | 3.21 | 1.17 | 28.95 | 0.47 | 1840.84 |
| 12 Extractive Industries(6) | 3040.05 | -0.7 | 3408.64 | 3062.93 | 3148.13 | 4.47 | 4.11 | 2.05 | 13.63 | 3.75 | 981.89 |
| 15 Oil, Integrated(3) | 4556.81 | -0.9 | 5109.29 | 4596.21 | 4740.63 | 3.59 | 3.10 | 1.06 | 32.88 | 0.00 | 2186.53 |
| 18 Oil Exploration & Prod(9) | 1323.58 | -2.3 | 1484.05 | 1354.82 | 3282.11 | 4.21 | 3.67 | 0.87 | 30.64 | 0.00 | 828.88 |
| 20 GEN INDUSTRIALS(190) | 1851.57 | -0.3 | 2076.06 | 1857.01 | 1976.29 | 3.75 | 3.32 | 2.31 | 14.40 | 2.35 | 1109.68 |
| 21 Construction(37) | 1350.32 | +1.4 | 1514.04 | 1331.54 | 1424.87 | 3.77 | 3.08 | 3.06 | 10.84 | 1.03 | 1226.02 |
| 22 Building Matls & Merchs(23) | 1639.97 | +0.5 | 1838.80 | 1632.38 | 1682.26 | 4.58 | 3.98 | 2.11 | 12.89 | 0.33 | 914.98 |
| 23 Chemicals(20) | 1896.11 | +0.9 | 2126.00 | 1879.57 | 2655.80 | 4.80 | 4.53 | 1.99 | 13.11 | 1.44 | 986.54 |
| 24 Diversified Industrials(4) | 1057.14 | -0.2 | 1185.31 | 1058.75 | 1839.06 | 6.20 | 5.47 | 1.08 | 18.66 | 5.26 | 674.31 |
| 25 Electronic & Elect Equip(25) | 2826.88 | -0.3 | 3169.62 | 2836.04 | 2128.72 | 2.70 | 2.30 | 1.99 | 23.23 | 0.07 | 1584.25 |
| 26 Engineering(53) | 2322.89 | -0.2 | 2604.53 | 2327.64 | 2652.13 | 3.62 | 3.19 | 2.38 | 14.54 | 6.56 | 1533.54 |
| 27 Engineering, Vehicles(10) | 3951.27 | -3.9 | 4430.34 | 4113.59 | 3483.42 | 2.27 | 2.08 | 3.23 | 17.07 | 0.35 | 2201.83 |
| 28 Paper, Pckg & Printing(16) | 1684.64 | -2.1 | 1888.89 | 1721.04 | 2038.10 | 6.20 | 5.76 | 2.36 | 8.53 | 2.42 | 779.23 |
| 30 CONSUMER GOODS(82) | 5982.28 | +2.0 | 6707.58 | 5866.37 | 5715.86 | 2.23 | 2.07 | 1.93 | 29.10 | 0.28 | 2392.84 |
| 32 Alcoholic Beverages(5) | 3527.36 | +0.1 | 3955.02 | 3523.86 | 3201.57 | 3.50 | 3.26 | 2.13 | 16.76 | 0.34 | 1414.18 |
| 33 Food Producers(26) | 3490.06 | +1.1 | 3913.20 | 3453.51 | 3518.86 | 2.53 | 2.19 | 2.31 | 21.32 | 0.10 | 1710.80 |
| 34 Household Goods & Texts(14) | 2277.76 | +0.6 | 2553.92 | 2263.07 | 3166.71 | 4.49 | 4.06 | 1.95 | 14.25 | 0.80 | 978.44 |
| 36 Health Care(14) | 2374.13 | -1.3 | 2661.97 | 2404.79 | 2311.73 | 2.17 | 2.00 | 2.10 | 27.43 | 1.36 | 1534.14 |
| 37 Pharmaceuticals(20) | 10850.16 | +3.4 | 12165.67 | 10492.53 | 10522.69 | 1.60 | 1.55 | 1.57 | 49.75 | 0.08 | 3909.96 |
| 38 Tobacco(3) | 7421.94 | -2.8 | 8321.80 | 7638.86 | 4877.63 | 4.23 | 3.86 | 2.23 | 13.23 | 0.00 | 2114.80 |
| 40 SERVICES(282) | 3762.09 | +2.7 | 4218.22 | 3661.44 | 3030.16 | 2.27 | 1.89 | 2.09 | 26.32 | 5.23 | 2096.00 |
| 41 Distributors(25) | 1961.74 | +0.3 | 2199.59 | 1956.10 | 2487.23 | 4.78 | 3.98 | 2.03 | 12.89 | 1.12 | 788.13 |
| 42 Leisure & Hotels(31) | 3509.91 | +1.4 | 3935.46 | 3461.31 | 3408.72 | 2.61 | 2.32 | 2.85 | 16.84 | 19.09 | 2017.41 |
| 43 Media(45) | 4983.76 | +2.1 | 5588.01 | 4879.66 | 4027.40 | 2.03 | 1.79 | 2.12 | 29.06 | 0.13 | 1904.97 |
| 44 Retailers, Food(13) | 2652.20 | +0.1 | 2973.75 | 2649.93 | 2744.24 | 3.44 | 2.76 | 2.17 | 16.76 | 4.19 | 1831.92 |
| 45 Retailers, General(41) | 2132.51 | +0.7 | 2391.06 | 2117.65 | 2357.27 | 3.51 | 2.82 | 2.06 | 17.29 | 5.33 | 1322.72 |
| 46 Telecommunications(7) | 6058.48 | +7.3 | 6793.00 | 5646.27 | 3309.75 | 1.49 | 1.22 | 1.64 | 51.20 | 4.13 | 2988.48 |
| 47 Breweries, Pubs & Rest.(22) | 3574.00 | -2.2 | 4007.32 | 3654.77 | 3734.48 | 3.52 | 2.86 | 2.20 | 16.12 | 12.60 | 1861.27 |
| 48 Support Services(69) | 5068.91 | +0.3 | 5683.48 | 5054.24 | 3932.83 | 1.23 | 1.05 | 2.83 | 35.85 | 1.48 | 3360.60 |
| 49 Transport(29) | 3536.80 | +0.6 | 3965.61 | 3515.26 | 3005.27 | 2.95 | 2.48 | 1.94 | 21.77 | 7.87 | 1800.47 |
| 60 UTILITIES(20) | 4143.22 | +0.7 | 4645.58 | 4114.19 | 3713.72 | 3.87 | 3.28 | 1.67 | 19.29 | 1.38 | 2016.55 |
| 62 Electricity(7) | 4764.21 | -0.1 | 5341.83 | 4767.46 | 4192.35 | 4.24 | 3.45 | 1.71 | 17.23 | 0.00 | 2846.03 |
| 64 Gas Distribution(2) | 3233.40 | +2.2 | 3625.43 | 3163.36 | 2611.04 | 2.09 | 1.67 | ‡ | ‡ | 0.00 | 1884.76 |
| 68 Water(11) | 3359.27 | +0.7 | 3766.65 | 3335.52 | 3211.66 | 4.99 | 4.60 | 2.38 | 10.55 | 4.52 | 2120.95 |
| 69 NON-FINANCIALS(592) | 2795.76 | +1.5 | 3134.73 | 2753.30 | 2561.97 | 2.78 | 2.39 | 1.89 | 24.05 | 2.25 | 2309.03 |
| 70 FINANCIALS(120) | 5023.63 | +2.5 | 5632.71 | 4899.34 | 5368.41 | 3.25 | 2.70 | 2.18 | 17.62 | 0.27 | 2352.63 |
| 71 Banks, Retail(12) | 7455.19 | +3.4 | 8359.08 | 7209.73 | 7868.92 | 3.44 | 2.75 | 2.14 | 16.98 | 0.00 | 2643.06 |
| 73 Insurance(21) | 2168.65 | +1.2 | 2431.60 | 2143.85 | 2406.38 | 3.06 | 2.69 | 2.04 | 20.03 | 0.12 | 1818.60 |
| 74 Life Assurance(6) | 7240.13 | +1.2 | 8117.95 | 7152.68 | 6976.67 | 2.86 | 2.30 | 2.70 | 17.41 | 0.00 | 3263.81 |
| 77 Other Financial(31) | 3795.83 | +1.2 | 4256.05 | 3749.64 | 4112.32 | 2.92 | 2.44 | 2.55 | 16.78 | 0.87 | 2345.34 |
| 79 Property(48) | 1806.25 | +0.9 | 2026.24 | 1789.44 | 2340.24 | 3.45 | 2.94 | 1.61 | 22.53 | 1.01 | 1204.42 |
| 80 INVESTMENT TRUSTS(117) | 3652.01 | +0.6 | 4094.79 | 3630.32 | 3513.30 | 2.31 | 1.92 | 1.15 | 47.28 | 4.68 | 1345.08 |
| 89 FTSE All-Share(829) | 2711.71 | +1.7 | 3040.49 | 2665.16 | 2584.61 | 2.85 | 2.45 | 1.96 | 22.44 | 1.75 | 2492.40 |
| 105 FTSE All-Share ex Inv Tr(712) | 2721.90 | +1.8 | 3051.91 | 2674.34 | 2591.59 | 2.87 | 2.46 | 1.97 | 22.12 | 1.70 | 1287.23 |
| Information Technology | 1754.60 | +0.3 | 1967.33 | 1748.75 | 1202.89 | 0.53 | 0.43 | 4.53 | 52.40 | 8.93 | 1764.77 |

**Hourly movements**

| | 9.03 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5792.1 | 5844.1 | 5817.6 | 5849.4 | 5827.8 | 5832.7 | 5820.9 | 5847.3 | 5888.7 | 5770.2 |
| FTSE 250 | 5186.4 | 5181.4 | 5185.5 | 5182.0 | 5185.2 | 5185.6 | 5184.4 | 5182.1 | 5187.7 | 5168.4 |
| FTSE 350 | 2763.0 | 2785.1 | 2774.9 | 2787.3 | 2778.9 | 2781.0 | 2776.1 | 2788.5 | 2803.4 | 2763.0 |
| FTSE SmallCap | 2218.33 | 2220.53 | 2222.82 | 2224.09 | 2224.43 | 2224.44 | 2224.11 | 2225.05 | 2225.76 | 2215.99 |
| FTSE All-Share | 2674.06 | 2694.56 | 2685.25 | 2696.77 | 2689.07 | 2690.94 | 2686.45 | 2696.07 | 2711.71 | 2674.06 |

Time of FTSE 100 Day's high: 16:29:00 Day's low: 9:03:00. FTSE 100 1999 High: 6179.0 (11/02/99) Low: 4648.7 (11/02/99)
Time of FTSE All-Share Day's high: 16:30:00 Day's low: 9:03:00. FTSE All-Share 1999 High: 2895.20 (20/07/98) Low: 2168.07 (05/10/98)

Further information is available on http://www.ftse.com.

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

## TRADING VOLUME

**Major Stocks yesterday.**

| | Vol 000's | Closing price | Day's change |
|---|---|---|---|
| 3i | 544 | 590½ | -6 |
| AMVESCAP | 2,023 | 535 | +6¾ |
| ASDA Group | 16,537 | 169½ | +1¼ |
| Abbey National | 1,420 | 1313 | +72 |
| Alliance & Leicester | 1,472 | 802 | +40 |
| Allied Domecq | 13,398 | 451 | -7½ |
| Allied Zurich | 2,504 | 846½ | +7½ |
| Anglian Water | 249 | 805 | +21½ |
| Assoc. Brit. Foods | 527 | 513 | -13 |
| BAA | 3,153 | 720½ | +8 |
| BOC | 3,372 | 867½ | +5½ |
| BG | 6,985 | 362¼ | +8¼ |
| BP Amoco | 18,740 | 952½ | -3½ |
| BSkyB | 25,630 | 586½ | +84 |
| BT | 32,162 | 1009½ | +101½ |
| BTR Siebe | 7,761 | 327 | -2½ |
| Bank of Scotland | 2,524 | 882 | +12½ |
| Barclays | 18,172 | 1420 | +74 |
| Bass | 3,061 | 790½ | -20½ |
| Billiton | 8,501 | 131 | -2 |
| Blue Circle† | 2,971 | 327½ | +8½ |
| Boots | 2,262 | 908 | +41 |
| Britannic Assurance† | 100 | 1190 | |
| Brit. Aerospace | 7,362 | 448 | -4½ |
| British Airways | 7,301 | 399½ | +10 |
| Brit. Amer. Tobacco | 5,653 | 588½ | -24½ |
| British Energy | 4,500 | 695 | +12 |
| British Land† | 4,729 | 528½ | +19½ |
| CGU | 3,235 | 875 | +20½ |
| CMG | 257 | 1729 | +20 |
| COLT Telecom | 828 | 1133 | +85 |
| Cable & Wireless | 5,854 | 824½ | +49 |
| Cadbury Schweppes | 7,837 | 952 | +18 |
| Carlton Comms. | 3,018 | 514½ | +18½ |
| Centrica | 7,218 | 119¾ | +2 |
| Compass | 1,561 | 720½ | -7½ |
| Daily Mail & Gen. | 222 | 3143 | -7 |
| Diageo | 7,809 | 650½ | +3 |
| Dixons | 4,498 | 1000½ | +21 |
| EMI | 17,088 | 417½ | -4½ |
| Foreign & Col I T | 383 | 193 | +1½ |
| General Electric | 10,435 | 531½ | -2 |
| Gallaher | 1,886 | 422½ | -4 |
| Glaxo Wellcome | 4,972 | 2025 | +85 |
| Granada | 2,881 | 1143 | +16½ |
| GUS | 3,330 | 692 | +6½ |
| GRE | 3,563 | 349½ | +5½ |
| GKN | 1,529 | 805½ | -58 |
| HSBC (75p shs) | 1,188 | 1881 | +40 |
| HSBC (HK$10) | 1,455 | 1506 | +41 |
| Halifax | 5,239 | 735 | +27 |
| Hanson | 2,854 | 460 | -4 |
| Hays | 2,711 | 542½ | +4 |
| ICI | 2,877 | 545 | +8 |
| Imperial Tobacco | 3,130 | 707½ | -65 |
| Kingfisher | 5,398 | 665 | -18 |
| Ladbroke | 5,392 | 261½ | +3 |
| Land Securities | 1,435 | 808½ | +3½ |
| Legal & General | 1,021 | 630 | -7 |
| Lloyds TSB | 9,285 | 784¼ | +26¼ |
| LucasVarity | 66,874 | 279½ | -3 |
| Marks & Spencer | 32,219 | 365½ | +¾ |
| NatWest Bank | 5,242 | 1195 | +25 |
| National Grid | 5,706 | 486 | -6½ |
| National Power | 6,800 | 521 | +9½ |
| Northern Rock† | 1,487 | 452 | +7 |
| Norwich Union | 3,520 | 449 | -4½ |
| Orange | 5,576 | 847 | +31 |
| Pearson | 2,318 | 1267 | +30 |
| P & O | 4,785 | 578½ | +35 |
| PowerGen | 1,881 | 867½ | +18½ |
| Prudential | 5,128 | 861½ | +37½ |
| Railtrack | 1,583 | 1555 | -8 |
| Reckitt & Colman | 2,088 | 669½ | -7½ |
| Reed Intl. | 4,473 | 531½ | |
| Rentokil Initial | 4,380 | 435 | -4 |
| Reuters | [illegible] | [illegible] | [illegible] |
| Rio Tinto | [illegible] | [illegible] | [illegible] |
| Rolls Royce | [illegible] | [illegible] | [illegible] |
| Royal & Sun | [illegible] | [illegible] | [illegible] |
| Royal Bank | [illegible] | [illegible] | [illegible] |
| Safeway | [illegible] | [illegible] | [illegible] |
| Sainsbury | [illegible] | [illegible] | [illegible] |
| Schroders | [illegible] | [illegible] | [illegible] |
| Schroders | [illegible] | [illegible] | [illegible] |
| Scottish & | [illegible] | [illegible] | [illegible] |
| Scot. & Sth | [illegible] | [illegible] | [illegible] |
| Scottish Power | [illegible] | [illegible] | [illegible] |
| Securicor | [illegible] | [illegible] | [illegible] |
| Severn Trent | [illegible] | [illegible] | [illegible] |
| Shell Trans. | [illegible] | [illegible] | [illegible] |
| SmithKline | [illegible] | [illegible] | [illegible] |
| Smiths Ind | [illegible] | [illegible] | [illegible] |
| Stagecoach | [illegible] | [illegible] | [illegible] |
| Standard Chartered | [illegible] | [illegible] | [illegible] |
| Sun Life & | [illegible] | [illegible] | [illegible] |
| TeleWest C | [illegible] | [illegible] | [illegible] |
| Tesco | [illegible] | [illegible] | [illegible] |
| Thames Water | [illegible] | [illegible] | [illegible] |
| Tomkins | [illegible] | [illegible] | [illegible] |
| Unilever | [illegible] | [illegible] | [illegible] |
| Utd. News & | [illegible] | [illegible] | [illegible] |
| United Utilities | [illegible] | [illegible] | [illegible] |
| Vodafone | [illegible] | [illegible] | [illegible] |
| WPP | [illegible] | [illegible] | [illegible] |
| Whitbread | [illegible] | [illegible] | [illegible] |
| Williams | [illegible] | [illegible] | [illegible] |
| Woolwich | [illegible] | [illegible] | [illegible] |
| Zeneca | [illegible] | [illegible] | [illegible] |

Based on trading volume for the FTSE 100 constituent companies [illegible] † Indicates [illegible] rounded. [illegible]

هكذا من الأصل

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE (EMU) Prices in €

AUSTRIA (Feb 11) 1 € = 13.7603 Sch

[illegible]

BELGIUM/LUX (Feb 11) 1 € = 40.3399 Frs.

[illegible]

FINLAND (Feb 11) 1 € = 5.94573 Mka.

[illegible]

FRANCE (Feb 11) 1 € = 6.55957 Frs.

[illegible]

GERMANY (Feb 11) 1 € = 1.95583 DM.

[illegible]

IRELAND (Feb 11) 1 € = 0.78756 Punt

[illegible]

ITALY (Feb 11) 1 € = 1936.27000 Lire

[illegible]

NETHERLANDS (Feb 11) 1 € = 2.20371 Fl.

[illegible]

PORTUGAL (Feb 11) 1 € = 200.4820 Esc.

[illegible]

SPAIN (Feb 11) 1 € = 166.38600 Pts.

[illegible]

## EUROPE (NON-EMU)

CZECH REP (Feb 11 / Koruna)

[illegible]

DENMARK (Feb 11 / Kr)

[illegible]

GREECE (Feb 11 / Drachma)

[illegible]

NORWAY (Feb 11 / Kroner)

[illegible]

POLAND (Feb 11 / Zloty)

[illegible]

SWEDEN (Feb 11 / Kronor)

[illegible]

SWITZERLAND (Feb 11 / Frs.)

[illegible]

TURKEY (Feb 11 / Tk Lira)

[illegible]

## PACIFIC

JAPAN (Feb 10 / Yen)

[illegible]

AUSTRALIA (Feb 11 / Aust$)

[illegible]

HONG KONG (Feb 11 / H.K.$)

[illegible]

INDONESIA (Feb 11 / Rupiah)

[illegible]

MALAYSIA (Feb 11 / MYR)

[illegible]

NEW ZEALAND (Feb 11 / NZ $)

[illegible]

SINGAPORE (Feb 11 / S$)

[illegible]

SOUTH KOREA (Feb 11 / Won)

[illegible]

TAIWAN (Feb 10 / TW $)

[illegible]

THAILAND (Feb 11 / Baht)

[illegible]

## AFRICA

SOUTH AFRICA (Feb 11 / Rand)

[illegible]

## AMERICAS

CANADA

TORONTO (Feb 11 / Can $)

4 pm close

[illegible]

MONTREAL (Feb 11 / Can $)

4 pm close

[illegible]

MEXICO (Feb 11 / Peso)

12.30 pm

[illegible]



## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY FEBRUARY 10 1999 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | Euro Index | Local Currency Index | Local % chg on day | Gross Div. Yield | TUESDAY FEBRUARY 9 1999 US Dollar Index | Pound Sterling Index | Yen Index | Euro Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (75) | 211.78 | -1.5 | 192.75 | 153.31 | 215.41 | 217.88 | -1.2 | 3.37 | 214.94 | 194.67 | 155.40 | 219.04 | 220.57 | 219.96 | 163.66 | 210.89 |
| Austria (21) | 174.98 | -1.9 | 159.26 | 126.67 | 157.04 | 157.04 | -2.1 | 2.12 | 178.35 | 161.54 | 128.95 | 160.38 | 160.38 | 253.73 | 165.27 | 198.25 |
| Belgium (22) | 392.89 | -1.6 | 357.58 | 284.41 | 345.24 | 345.24 | -1.8 | 1.95 | 399.23 | 361.58 | 288.65 | 351.49 | 351.49 | 446.95 | 273.20 | 273.40 |
| Brazil (29) | 107.14 | 0.8 | 97.52 | 77.56 | 108.98 | 373.73 | 0.3 | 8.21 | 106.26 | 96.24 | 76.83 | 108.29 | 372.60 | 289.34 | 89.32 | 233.66 |
| Canada (113) | 203.90 | -0.6 | 185.59 | 147.61 | 207.40 | 220.46 | -0.6 | 1.80 | 205.07 | 185.73 | 148.27 | 208.98 | 221.85 | 248.78 | 159.94 | 218.80 |
| Denmark (34) | 466.95 | -0.6 | 425.00 | 338.02 | 474.95 | 417.32 | -0.8 | 1.68 | 469.96 | 425.65 | 339.79 | 478.93 | 420.46 | 537.33 | 420.12 | 462.12 |
| Finland (29) | 579.80 | -2.4 | 527.71 | 419.71 | 639.04 | 639.04 | -2.6 | 1.78 | 593.97 | 537.98 | 429.44 | 655.92 | 655.92 | 681.25 | 312.68 | 312.68 |
| France (73) | 318.19 | -1.1 | 289.60 | 230.34 | 289.19 | 289.19 | -1.2 | 2.17 | 321.60 | 291.27 | 232.52 | 292.85 | 292.85 | 354.45 | 246.64 | 252.73 |
| Germany (55) | 258.44 | -1.9 | 235.22 | 187.08 | 232.12 | 232.12 | -2.1 | 1.42 | 263.50 | 238.65 | 190.51 | 237.11 | 237.11 | 325.61 | 226.35 | 242.83 |
| Greece (36) | 401.63 | -0.4 | 365.54 | 290.73 | 408.51 | 819.01 | -0.7 | 1.04 | 403.08 | 365.07 | 291.43 | 410.77 | 824.58 | 418.59 | 211.47 | - |
| Hong Kong, China (66) | 268.04 | -2.1 | 243.96 | 194.03 | 272.63 | 268.65 | -2.1 | 4.58 | 273.78 | 247.96 | 197.94 | 279.00 | 272.38 | 362.55 | 196.64 | 353.00 |
| Indonesia (24) | 49.25 | 1.9 | 44.82 | 35.65 | 50.09 | 259.06 | -0.8 | 1.18 | 48.35 | 43.79 | 34.96 | 49.27 | 261.02 | 64.52 | 19.04 | 63.92 |
| Ireland (14) | 536.76 | 0.0 | 488.53 | 388.55 | 526.14 | 526.14 | -0.2 | 1.82 | 536.69 | 486.09 | 388.03 | 527.09 | 527.09 | 605.85 | 396.15 | 445.56 |
| Italy (53) | 161.01 | 1.6 | 146.55 | 116.55 | 205.66 | 205.66 | 1.4 | 1.35 | 158.50 | 143.56 | 114.60 | 202.85 | 202.85 | 192.64 | 128.68 | 135.69 |
| Japan (445) | 98.64 | -0.1 | 89.78 | 71.40 | 100.33 | 71.40 | 0.0 | 1.05 | 98.79 | 89.48 | 71.43 | 100.68 | 71.43 | 109.73 | 76.83 | 109.73 |
| Mexico (28) | 1133.27 | 0.0 | 1031.45 | 820.37 | 1152.88 | 12463.06 | -0.2 | 2.06 | 1133.61 | 1026.72 | 819.61 | 1155.25 | 12487.22 | 1733.73 | 787.15 | 1582.65 |
| Netherlands (26) | 483.50 | -0.8 | 440.08 | 350.00 | 429.55 | 429.55 | -0.9 | 2.20 | 487.16 | 441.22 | 352.22 | 433.63 | 433.63 | 562.73 | 394.92 | 422.80 |
| New Zealand (18) | 63.44 | -4.1 | 57.74 | 45.93 | 64.53 | 61.00 | -3.5 | 4.79 | 66.16 | 59.92 | 47.84 | 67.42 | 63.20 | 77.84 | 45.68 | 75.89 |
| Norway (37) | 234.91 | -0.7 | 213.81 | 170.05 | 238.94 | 243.65 | -0.8 | 2.36 | 236.53 | 214.23 | 171.01 | 241.05 | 245.60 | 357.71 | 181.86 | 297.33 |
| Philippines (22) | 82.59 | -1.2 | 75.17 | 59.79 | 84.01 | 160.53 | -2.4 | 1.01 | 83.58 | 75.70 | 60.43 | 85.17 | 164.52 | 106.98 | 42.48 | 91.89 |
| Portugal (18) | 254.46 | -0.1 | 231.60 | 184.20 | 308.42 | 308.42 | -0.3 | 1.06 | 254.68 | 230.67 | 184.14 | 309.29 | 309.29 | 299.39 | 194.13 | - |
| Singapore (40) | 185.45 | -2.1 | 168.79 | 134.24 | 188.62 | 144.80 | -2.1 | 1.98 | 189.40 | 171.54 | 136.94 | 193.01 | 147.68 | 246.74 | 102.45 | 222.63 |
| South Africa (35) | 191.47 | -1.9 | 174.26 | 138.60 | 194.75 | 255.28 | -2.0 | 3.47 | 195.26 | 176.85 | 141.17 | 198.99 | 260.55 | 346.20 | 151.55 | 278.76 |
| Spain (30) | 379.11 | 1.6 | 345.05 | 274.43 | 422.10 | 422.10 | 1.4 | 1.91 | 373.08 | 337.91 | 269.74 | 416.19 | 416.19 | 435.19 | 290.81 | 301.23 |
| Sweden (43) | 520.89 | -1.4 | 473.91 | 376.93 | 529.61 | 607.58 | -1.4 | 1.92 | 528.00 | 478.22 | 381.75 | 538.08 | 615.90 | 628.19 | 379.18 | 490.71 |
| Switzerland (30) | 391.10 | -0.3 | 355.97 | 283.12 | 397.80 | 341.93 | -0.8 | 1.25 | 392.24 | 355.25 | 283.59 | 399.73 | 344.50 | 441.65 | 307.73 | 373.15 |
| Thailand (31) | 18.74 | -2.4 | 17.06 | 13.57 | 19.06 | 26.94 | -2.7 | 3.28 | 19.20 | 17.39 | 13.88 | 19.57 | 27.87 | 33.84 | 8.15 | 32.03 |
| United Kingdom (201) | 366.63 | -0.7 | 333.69 | 265.40 | 372.91 | 333.69 | -0.2 | 2.92 | 369.14 | 334.33 | 266.89 | 376.19 | 334.33 | 401.84 | 307.96 | 355.34 |
| USA (613) | 504.45 | 0.5 | 459.12 | 365.17 | 513.09 | 504.45 | 0.5 | 1.30 | 501.75 | 454.44 | 362.77 | 511.33 | 501.75 | 527.72 | 390.12 | 415.94 |
| Americas (784) | 447.70 | 0.5 | 407.48 | 324.09 | 455.37 | 380.00 | 0.5 | 1.34 | 445.48 | 403.48 | 322.09 | 453.98 | 378.14 | 467.90 | 347.59 | 376.74 |
| Europe (722) | 344.07 | -0.7 | 313.16 | 249.07 | 349.96 | 319.42 | -0.7 | 2.12 | 346.45 | 313.78 | 250.49 | 353.06 | 321.58 | 396.24 | 282.63 | 309.68 |
| Eurobloc (341) | 99.22 | -0.7 | 90.31 | 71.83 | 96.45 | 96.45 | -0.9 | 1.80 | 99.94 | 90.52 | 72.26 | 97.34 | 97.34 | 113.92 | 81.53 | - |
| Nordic (143) | 493.82 | -1.5 | 449.45 | 357.47 | 502.28 | 498.77 | -1.5 | 1.87 | 501.27 | 454.00 | 362.42 | 510.83 | 506.57 | 555.97 | 380.04 | 429.96 |
| Pacific Basin (721) | 105.68 | -0.5 | 96.18 | 76.50 | 107.49 | 79.31 | -0.4 | 1.58 | 106.20 | 96.19 | 76.78 | 108.23 | 79.61 | 119.48 | 82.86 | 119.48 |
| Euro-Pacific (1443) | 204.73 | -0.6 | 186.34 | 148.20 | 208.24 | 169.50 | -0.6 | 1.96 | 206.03 | 186.60 | 148.96 | 209.96 | 170.50 | 221.79 | 166.00 | 198.83 |
| North America (726) | 484.14 | 0.5 | 440.64 | 350.46 | 492.43 | 484.85 | 0.5 | 1.32 | 481.73 | 436.31 | 348.30 | 490.93 | 482.45 | 506.49 | 374.92 | 403.31 |
| Europe Ex. UK (521) | 321.10 | -0.7 | 292.25 | 232.44 | 326.60 | 302.78 | -0.9 | 1.72 | 323.34 | 292.85 | 233.77 | 329.51 | 305.55 | 366.32 | 260.93 | 278.17 |
| Europe Ex. Eurobloc (381) | 94.22 | -0.7 | 85.75 | 68.20 | 95.83 | 94.71 | -0.4 | 2.45 | 94.83 | 85.89 | 68.56 | 96.64 | 95.11 | 103.93 | 77.40 | - |
| Europe Ex. UK Ex. Eurobloc (180) | 95.92 | -0.6 | 87.31 | 69.44 | 97.57 | 93.06 | -0.9 | 1.46 | 96.50 | 87.40 | 69.77 | 98.34 | 93.89 | 109.21 | 75.16 | - |
| Pacific Ex. Japan (276) | 175.21 | -1.8 | 159.47 | 126.84 | 178.22 | 176.81 | -1.7 | 3.70 | 178.42 | 161.60 | 129.00 | 181.83 | 179.90 | 216.04 | 128.26 | 210.66 |
| World Ex. Eurobloc (1921) | 103.64 | 0.1 | 94.28 | 74.95 | 105.31 | 102.16 | 0.2 | 1.58 | 103.40 | 93.65 | 74.76 | 105.38 | 101.97 | 108.05 | 83.09 | - |
| World Ex. US (1649) | 204.22 | -0.6 | 185.87 | 147.84 | 207.72 | 174.49 | -0.6 | 1.99 | 205.51 | 186.13 | 148.58 | 209.43 | 175.53 | 221.91 | 165.95 | 201.87 |
| World Ex. UK (2061) | 294.63 | 0.1 | 268.18 | 213.28 | 299.68 | 263.46 | 0.0 | 1.47 | 294.42 | 266.66 | 212.87 | 300.04 | 263.37 | 311.48 | 238.11 | 262.74 |
| World Ex. Japan (1817) | 401.51 | 0.0 | 365.43 | 290.65 | 408.39 | 393.42 | 0.0 | 1.68 | 401.46 | 363.60 | 290.26 | 409.12 | 393.35 | 427.98 | 320.58 | 351.37 |
| The World Index (2262) | 300.87 | -0.0 | 273.84 | 217.80 | 306.02 | 269.99 | 0.0 | 1.62 | 300.88 | 272.51 | 217.54 | 306.63 | 269.96 | 318.51 | 242.36 | 270.60 |



## Emerging markets: IFC investable indices

Dollar terms

| Feb 10 Market | | Day's chg % | % Chg since 31/12/98 |
|---|---|---|---|
| **Latin America** | | | |
| Argentina | 750.25 | +0.1 | -5.9 |
| Brazil | 220.57 | +0.9 | -19.8 |
| Chile | 457.20 | +0.9 | +1.3 |
| Colombia[1] | 358.41 | +4.5 | -18.4 |
| Mexico | 479.12 | -0.0 | -0.5 |
| Peru[2] | 133.36 | +0.2 | -0.8 |
| Venezuela[3] | 382.85 | +0.6 | -15.5 |
| **East Asia** | | | |
| China[4] | 22.52 | -0.5 | -14.0 |
| India[7] | 68.70 | +2.1 | +7.0 |
| Indonesia[6] | 22.93 | +2.0 | -5.3 |
| Korea[5] | 48.94 | -0.0 | -7.7 |
| Malaysia | 85.03 | -0.7 | -3.9 |
| Pakistan[8] | 81.43 | -0.4 | -13.9 |
| Philippines | 114.14 | -1.0 | -7.3 |
| Sri Lanka[10] | 73.40 | +0.1 | -10.9 |
| Taiwan, China[9] | 108.06 | +1.0 | -6.7 |
| Thailand | 54.45 | -0.6 | -13.8 |
| **Europe** | | | |
| Czech Rep | 43.59 | +1.9 | -14.1 |
| Greece | 722.14 | +0.4 | +16.6 |
| Hungary[11] | 283.83 | +0.1 | +1.1 |
| Poland[12] | 536.26 | -1.3 | +2.4 |
| Portugal | 288.46 | -0.2 | -1.2 |
| Russia | 27.02 | +9.0 | +15.2 |
| Slovakia | 45.80 | +0.4 | +5.3 |
| Turkey[14] | 157.98 | +2.2 | +8.0 |
| **Mideast/Africa** | | | |
| Egypt | 74.99 | -0.9 | +16.3 |
| Israel | 100.30 | -0.7 | -1.9 |
| Jordan | 227.02 | | +4.8 |
| Morocco | 173.18 | +0.2 | +3.3 |
| S Africa[13] | 131.20 | -1.6 | +4.8 |
| Zimbabwe[15] | 104.10 | -1.7 | -1.2 |
| **Regions** | | | |
| Composite | 182.17 | +0.2 | -2.6 |
| Latin America | 386.81 | +0.5 | -7.8 |
| Asia | 98.51 | +0.5 | -7.0 |
| EMEA | 120.91 | -0.1 | +5.8 |
| Europe | 160.59 | +0.7 | +7.2 |
| Eastn Europe | 59.62 | +1.5 | +2.6 |
| ME & Africa | 55.84 | -1.2 | +4.1 |
| Comp + Malay | 184.66 | +0.2 | -2.6 |
| Asia + Malay | 101.18 | +0.2 | -8.4 |

*Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.*

*Latest indices were unavailable for this edition.*

4 pm close February 11

# NEW YORK STOCK EXCHANGE PRICES

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

| 1998/99 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chng Prev Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 126 | 86½ | Xerox | 1.60 | 1.3 | 24 | 21168 | 122½ | 119¼ | 122⅛ | +3[illegible] |
| 83⅞ | 55¼ | XI Cap x | 1.76 | 2.8 | 9 | 2525 | 62 | 60¼ | 67 | [illegible] |
| 66⅛ | 37½ | Xtra Corp | | | 10 | 798 | 40¼ | 39 | 39⅞ | +1⅛ |
| 31⅞ | 22½ | Yankee Egy | 1.38 | 5.5 | 22 | 72 | 25¼ | 25 | 25¼ | [illegible] |
| 52⅜ | 27½ | York Int | 0.48 | 1.3 | 20 | 2590 | 36[illegible] | 35½ | 36¼ | [illegible] |
| 24[illegible] | 6⅞ | Zapata | | | 3 | 1063 | 9[illegible] | 9⅞ | [illegible] | [illegible] |
| 50 | 31 | Zenecα | 0.80 | 1.9 | 33 | 2009 | 42¼ | 41[illegible] | 41[illegible] | [illegible] |
| 30½ | 20⅞ | Zenith Nat x | 1.00 | 4.4 | 16 | 33 | 22[illegible] | 22⅞ | 22[illegible] | [illegible] |
| 8⅞ | 5⅞ | Zenix Inc | 0.70 | 11.2 | | 92 | 6[illegible] | 6⅛ | 6⅜ | [illegible] |
| 14⅞ | 9⅞ | Zweig Fd | 1.08 | 10.4 | | 741 | 10½ | 10¼ | 10⅜ | [illegible] |
| 9[illegible] | 8⅛ | Zweig Tot x | 0.84 | 10.1 | | 700 | 8⅜ | 8⅜ | 8⅜ | [illegible] |

*Price data supplied by Financial Times Information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

u-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
# Dealings suspended.

# GLOBAL EQUITY MARKETS

## US INDICES

| Dow Jones | Feb 10 | Feb 9 | Feb 8 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 9177.31 | 9133.03 | 9291.11 | 9643.32 (8/1/99) | 7539.07 (31/8/98) | 9643.32 (8/1/99) | 41.22 (8/7/32) |
| Home Bonds | 105.83 | 105.80 | 105.87 | 107.17 (9/12/98) | 104.42 (11/5/98) | 107.17 (9/12/98) | 54.98 (1/10/81) |
| Transport | 3119.20 | 3155.14 | 3209.25 | 3686.02 (16/4/98) | 2345.00 (9/10/98) | 3686.02 (16/4/98) | 13.23 (8/7/32) |
| Utilities | 293.98 | 293.72 | 298.06 | 320.51 (9/10/98) | 262.86 (9/1/98) | 320.51 (9/10/98) | 10.53 (8/7/32) |

DJ Ind. Day's high 9267.88 (9061.92) Low 9026.41 (9078.13) (Theoretical†)
Day's high 9183.49 (9305.02) Low 9099.04 (9123.29) (Actual†)

| Standard and Poors | Feb 10 | Feb 9 | Feb 8 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 1223.55 | 1216.14 | 1243.77 | 1279.64 (29/1/99) | 927.69 (8/1/98) | 1279.64 (29/1/99) | 4.40 (1/6/32) |
| Industrials‡ | 1466.77 | 1477.88 | 1514.83 | 1551.65 (29/1/99) | 1077.40 (9/1/98) | 1551.65 (29/1/99) | 3.52 (30/6/32) |
| Financial‡ | 124.78 | 123.72 | 125.41 | 147.89 (14/7/98) | 95.80 (8/10/98) | 147.89 (14/7/98) | 7.13 (4/8/74) |
| **Others** | | | | | | | |
| NYSE Comp. | 578.61 | 576.82 | 586.64 | 611.08 (8/1/99) | 477.20 (8/10/98) | 611.08 (8/1/99) | 4.64 (28/4/42) |
| Amex Comp | 698.82 | 692.24 | 702.90 | 753.67 (22/4/98) | 563.75 (8/10/98) | 753.67 (22/4/98) | 524.20 (16/7/96) |
| NASDAQ Comp | 2309.50 | 2310.79 | 2404.92 | 2510.09 (1/2/99) | 1419.12 (8/10/98) | 2510.09 (1/2/99) | 54.87 (3/10/74) |
| Russell 2000 | 397.96 | 403.13 | 411.33 | 491.41 (21/4/98) | 310.28 (8/10/98) | 491.41 (21/4/98) | 123.36 (7/12/93) |

### RATIOS

| | Feb 5 | Jan 29 | Jan 22 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.65 | 1.64 | 1.67 | 1.69 |
| | Feb 3 | Jan 27 | Jan 20 | Year ago |
| S & P Ind. Div. yield | 1.10 | 1.12 | 1.12 | 1.43 |
| S & P Ind. P/E ratio | 39.55 | 38.57 | 38.80 | 27.31 |

## US DATA

### MARKET ACTIVITY

| Volume (million) | Feb 10 | Feb 9 | Feb 8 |
|---|---|---|---|
| NYSE | 722.883 | 736.000 | 708.876 |
| Amex | 25.851 | 26.737 | 26.851 |
| NASDAQ | 920.449 | 915.080 | 897.100 |

| NYSE | Feb 10 | Feb 9 | Feb 8 |
|---|---|---|---|
| Issues Traded | 3,549 | 3,551 | 3,565 |
| Rises | 1,170 | 983 | 1,405 |
| Falls | 1,830 | 2,088 | 1,581 |
| Unchanged | 537 | 580 | 589 |
| New Highs | 20 | 16 | 26 |
| New Lows | 103 | 85 | 80 |

### NYSE TRADING ACTIVITY

Volume : 721,479,000

ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| PhMorr | 24,803,500 | 41⅞ | −3⅜ |
| AmOnLine | 14,824,900 | 151 | +3¼ |
| Compaq | 12,235,200 | 42⅛ | +⅜ |
| UNUM | 7,238,400 | 48¼ | −7⅞ |
| LucentTch | 6,987,900 | 97¼ | +1⅞ |
| AT&T | 6,765,800 | 85⅜ | −1⅛ |
| MicronTech | 6,658,300 | 68¼ | +⅜ |
| Citgrp | 6,193,300 | 52 | +⅜ |
| Disney | 5,960,800 | 34⅛ | +⅜ |
| Cendnt | 5,308,500 | 20⅛ | +¼ |

BIGGEST MOVERS

| Wednesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Polrd | 19¼ | +1⅞ | +10.9 |
| EquiCos | 64⅞ | +5⅞ | +8.2 |
| Mirage Res | 15⅜ | +1⅛ | +8.3 |
| Aon Cp | 54 | +4⅛ | +8.1 |
| **Downs** | | | |
| PlayMn | 38¼ | −11⅛ | −22.2 |
| UNUM | 48¼ | −7⅞ | −13.5 |
| Prov Cos | 34⅝ | −4⅝ | −11.8 |
| Orb Scnce | 27 | −3⅛ | −10.4 |

### NASDAQ TRADING ACTIVITY

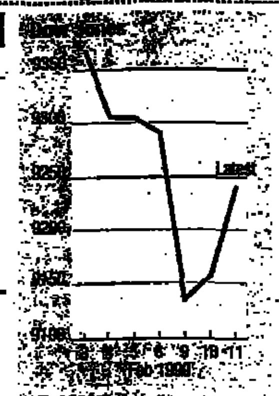
Volume :921,343,080

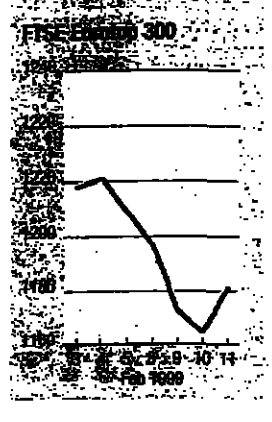
ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| DellCmp | 36,938,200 | 97 | −⅞ |
| CiscoSys | 20,087,600 | 96⅞ | +2⅝ |
| Micsft | 18,201,800 | 160¼ | +⅛ |
| Intel | 16,858,900 | 128⅞ | +3⅛ |
| ChmclMed | 14,687,800 | 49¼ | −4⅜ |
| Lycos | 13,709,800 | 87¼ | −7 |
| MCIWrm | 13,297,900 | 76¼ | −⅛ |
| Oracle | 12,284,000 | 53⅞ | −⅞ |
| ApplMat | 12,003,000 | 60⅞ | −2⅛ |
| Yahoo | 11,935,100 | 142¾ | +1⅝ |

BIGGEST MOVERS

| Wednesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| AmerTrade | 83⅛ | +18¼ | +28.0 |
| CYTYC | 21¾ | +4¼ | +24.5 |
| ConEPS | 29⅞ | +4⅛ | +17.4 |
| MedManagCp | 32¾ | +3¼ | +11.2 |
| **Downs** | | | |
| SinclairBr | 13½ | −3¼ | −19.4 |
| ASETest | 41 | −9 | −18.0 |
| TMP Wrlw | 45 | −7½ | −14.3 |
| Sawtek | 20¾ | −3⅛ | −13.1 |




## JAPAN

| | Feb 11 | Feb 10 | Feb 9 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Nikkei 225 | closed | 13852.40 | 13502.68 | 17264.3 | 12880 | 38915.9 | 85.25 |

Day's high: . Day's low: .

### TOKYO TRADING ACTIVITY

Volume : 423,330,000

ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Nomura | 16,066,000 | 900 | −41 |
| Sekisui | 14,967,000 | 245 | −9 |
| NpSti | 7,054,000 | 201 | −3 |
| MbChem | 6,229,000 | 272 | +16 |
| BTokMt | 6,127,000 | 1315 | +15 |
| SomtMt | 6,084,000 | 116 | −4 |
| SanwaBk | 5,939,000 | 1104 | +39 |
| Hitachi | 6,090,000 | 407 | +18 |
| Hitachi | 5,087,000 | 742 | +1 |
| YasTrB | 4,969,000 | 109 | +6 |

BIGGEST MOVERS

| Wednesday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Tenamo | 2385 | +165 | +7.5 |
| MejiS | 505 | +35 | +7.4 |
| ToyoKn | 133 | +9 | +7.3 |
| AsahiGl | 733 | +48 | +7.0 |
| **Downs** | | | |
| NagTs | 220 | −29 | −11.6 |
| Amada | 530 | −37 | −6.5 |
| FuruCn | 175 | −10 | −5.4 |
| JpWool | 600 | −34 | −5.4 |

## FRANCE

| | Feb 11 | Feb 10 | Feb 9 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| CAC 40 | 4072.34 | 4001.93 | 4039.40 | 4388.48 | 2862.54 | 4388.48 | 984.61 |

Day's high: 4072.34. Day's low: 4010.47.

### PARIS TRADING ACTIVITY

Volume : 488,986,950

ACTIVE STOCKS

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| FrTele | 1,803,685 | 80 | +3.5 |
| MchlnB | 1,417,232 | 39.4 | +2.4 |
| Paribas | 1,173,014 | 85 | +1.15 |
| Usinor | 1,121,252 | 12.46 | +0.27 |
| RhonPA | 1,117,029 | 42.96 | +0.95 |
| EliAqu | 770,539 | 94.85 | +0.4 |
| Alctel | 682,301 | 96.2 | +4.2 |
| BNP | 662,305 | 76 | +4 |
| Axa | 661,806 | 116.9 | +3.9 |
| Alstom | 614,489 | 24 | +0.23 |

BIGGEST MOVERS

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Salta | 51.3 | +3.3 | +6.9 |
| Accor | 219.4 | +13.4 | +6.5 |
| MchlnB | 39.4 | +2.4 | +6.5 |
| Atos | 204 | +12 | +6.3 |
| **Downs** | | | |
| Finaxa | 84 | −8.7 | −9.4 |
| SommrA | 23.16 | −1.12 | −4.8 |
| ChDior | 108 | −4.5 | −4 |
| Seb SA | 55 | −2 | −3.5 |

## GERMANY

| | Feb 11 | Feb 10 | Feb 9 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DAX | 4839.33 | 4796.82 | 4904.35 | 6171.43 | 3896.08 | 6171.43 | 931.18 |

Day's high: 4876.68. Day's low: 4794.65.

### FRANKFURT TRADING ACTIVITY

Volume : (a)

ACTIVE STOCKS

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Dt Bk | 1,778,819 | 47.3 | −0.45 |
| DaimCh | 331,284 | 89.7 | +0.7 |
| Bayer | 311,892 | 31.22 | +0.22 |
| Lufthn | 309,445 | 18.65 | +0.6 |
| CmrzbK | 298,378 | 25.7 | +0.2 |
| Dt Tel | 288,589 | 38.3 | +1.7 |
| Siemns | 249,301 | 60.4 | +0.7 |
| DresBk | 218,875 | 32.05 | +0.95 |
| BASF | 188,320 | 30.7 | |
| Contnt | 174,265 | 26.2 | +1.4 |

BIGGEST MOVERS

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Dougls | 43 | +3 | +7.5 |
| AGIndV | 22.5 | +1.5 | +7.1 |
| B'sdorf | 69.5 | +4.5 | +6.9 |
| AxMnRg | 115 | +7 | +6.5 |
| **Downs** | | | |
| MchRMD | 255 | −30 | −10.5 |
| ColKnz | 90 | −6 | −6.2 |
| Rhoml | 20.1 | −0.9 | −4.3 |
| DEPFA | 73.82 | −3.08 | −4.0 |

## UK

| | Feb 11 | Feb 10 | Feb 9 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| FTSE 100 | 5888.5 | 5770.2 | 5779.9 | 6179 | 4648.7 | 6179 | 986.9 |

Day's high: 5888.7. Day's low: 5770.2.

### LONDON TRADING ACTIVITY

Volume : 1,200,800,000

ACTIVE STOCKS

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| LucasVarity | 88,873,820 | 279½ | −9 |
| Shell T&T | 34,822,170 | 332½ | −6¾ |
| BT | 32,182,330 | 1009½ | +101½ |
| Tesco | 29,382,040 | 181¾ | +¼ |
| BSkyB | 25,628,820 | 506¾ | +34 |
| Vodafone | 19,414,610 | 1083½ | +29½ |
| Smth.Bchm | 18,471,170 | 834½ | +16¼ |
| EMI | 17,097,950 | 417½ | −4½ |
| BP Amoco | 16,740,390 | 862½ | −3½ |
| Asda | 16,538,980 | 158½ | +1¾ |

BIGGEST MOVERS

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| **Ups** | | | |
| Cathay Intl | 3¼ | +¾ | +30 |
| Dicom Grp | 227½ | +51½ | +29.3 |
| Powderject | 870 | +163 | +23.1 |
| Alldays | 88½ | +16¼ | +22.9 |
| **Downs** | | | |
| MetalTech | ¾ | −1 | −57.1 |
| Saltire | 5 | −3¼ | −39.4 |
| Probus | 3½ | −1 | −22.2 |
| Bilstn&Batt | 26½ | −7 | −20.9 |

## INDEX FUTURES

| S&P 500 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1225.20 | 1260.00 | +34.60 | 1260.40 | 1224.90 | 104,109 | 390,651 |
| Jun | 1243.00 | 1271.50 | +34.60 | 1271.50 | 1239.00 | 1,430 | 11,075 |
| **Nikkei 225** | **Open** | **Sett price** | **Change** | **High** | **Low** | **Est. vol.** | **Open int.** |
| Mar | 13840.0 | 13860.0 | +100.0 | 13990.0 | 13790.0 | 27,695 | 194,781 |
| Jun | 13780.0 | 13820.0 | +100.0 | 13820.0 | 13660.0 | 64 | 33,739 |

Open interest figures for previous day.

| CAC-40 (200 x Index) | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Feb | 4022.5 | 4080.5 | +73.5 | 4082.5 | 4000.0 | 50,816 | 117,070 |
| Mar | 4031.0 | 4088.0 | +73.5 | 4081.0 | 4009.0 | 458 | 62,273 |
| **DAX** | | | | | | | |
| Mar | 4869.0 | 4875.0 | +50.0 | 4891.0 | 4795.5 | 46,047 | 200,833 |
| Jun | 4895.0 | 4902.0 | +32.0 | 4916.0 | 4833.5 | 2,186 | 62,872 |

| OMX | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Feb | 704.50 | 706.25 | +2.50 | 707.00 | 694.50 | 36,015 | 142,578 |
| Mar | 702.50 | 703.50 | +0.25 | 703.50 | 698.00 | 122 | 2,743 |
| **EUREX** | | | | | | | |
| Mar | 6950.0 | 6906.0 | +31.0 | 6950.0 | 6851.0 | 21,967 | 136,542 |
| Jun | 6882.0 | 6853.0 | +26.0 | 6882.0 | 6815.0 | 581 | 3,976 |

## WORLD MARKETS AT A GLANCE

| Country | Index | Feb 11 | Feb 10 | Feb 9 | 1998/99 High | 1998/99 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| India | BSE Sens. | 3313.40 | 3307.49 | 3207.71 | 4280.98 21/4/98 | 2764.16 20/10/98 | na | na |
| | S & P CNX 500 | 666.94 | 684.22 | 642.20 | 815.82 21/4/98 | 557.68 20/10/98 | | |
| Indonesia | Jakarta Comp. | 402.65 | 398.88 | 402.83 | 554.19 2/2/98 | 256.83 21/9/98 | 2.47 | 19.9 |
| Ireland | ISEQ Overall | 5138.32 | 5158.82 | 5168.55 | 5471.81 21/4/98 | 3745.11 8/10/98 | 1.94 | 18.8 |
| Portugal | BVL 30 | 4967.12 | 4920.22 | 4936.97 | 6176.39 22/4/98 | 3599.08 2/10/98 | 2.06 | 27.2 |
| | PSI 20 | 11481.17 | 11366.70 | 11406.78 | 14293.00 22/4/98 | 8114.51 2/10/98 | | |

Portugal Telecom pushed market higher as investors took comfort from rising European markets.

| Country | Index | Feb 11 | Feb 10 | Feb 9 | 1998/99 High | 1998/99 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Russia | RTS | 67.24 | 62.58 | 58.94 | 411.81 5/1/98 | 38.53 5/10/98 | na | na |

Shares sharply higher, continuing upward march on hopes of new influx of foreign investment.

| Country | Index | Feb 11 | Feb 10 | Feb 9 | 1998/99 High | 1998/99 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Singapore | SES All-S'pore | 357.14 | 351.45 | 356.49 | 437.98 19/3/98 | 253.20 4/9/98 | 2.45 | 19.1 |

# THE NASDAQ-AMEX MARKET GROUP

4 pm close February 11

# AMEX

4 pm close February 11

# EASDAQ

# STOCK MARKETS

# Bourses battle higher despite US gloom

**WORLD OVERVIEW**

Worries over the state of European economies and the direction of interest rates in Europe and the US were relegated to the background as European equity markets posted modest gains, *writes Bertrand Benoit*.

But traders said the medium-term trend was pointing downwards amid fears of a correction on Wall Street, possibly in the region of 5 to 10 per cent.

In the euro-zone, Paris took its cue from upbeat company news. Strong 1998 sales figures helped Michelin and Accor to post significant gains, while fresh M&A speculation lifted the banking sector off its Tuesday low.

Disappointing 1998 profits sent Royal Dutch Shell plunging in Amsterdam, while Philips ended a volatile session slightly ahead after positive but lower-than-expected results.

Automobile, metal and engineering shares took a battering in an otherwise rising Frankfurt market after the powerful IG Metall trade union said wage talks with employers had broken down.

The union, which is demanding a 6.5 per cent rise, is to hold a poll of its members that could lead to a strike this month.

"Such a [wage] settlement would raise inflationary fears and stand in the way of another rate cut by the European Central Bank," said BT Alex Brown in a note published yesterday.

"The results would be a rise in bond yields, leading equities to seem even more overvalued," said the bank.

European bond yields have risen 20 basis points since mid-January. Analysts now fear any sign of rising US interest rates and a failure by the European Central Bank to cut rates in the first quarter could push US and European yields steeply higher, sending equity markets on both sides of the Atlantic into a tailspin.

Interest rate concerns had sent Wall Street downwards in early trading, but investors later regained confidence as Alan Greenspan, Federal Reserve chairman, concluded his statement to the House banking committee without mentioning monetary policy. The Dow Jones Industrial Average was trading modestly higher at the close of the European day.

There was little direction from Asia, where Tokyo was closed for National Foundation day, while China and Taiwan were not trading ahead of the lunar new year. Investors elsewhere retreated to the sidelines in advance of the holiday next week.

The star of the day was Singapore, which posted a 5.5 per cent rise, partly recovering from a two-week plunge. But traders expected the largely technical correction to be short-lived.

# Merger news sparks rally in high techs

**AMERICAS**

Bullish sentiment swept through Wall Street as a rally in high-tech shares led the market higher in early trading, *writes John Labate in New York*.

By early afternoon, the Dow Jones Industrial Average had gained 83.42 or 0.9 per cent to 9,260.73. The broader Standard & Poor's 500 index had climbed 1.6 per cent or 19.97 to 1,243.52.

Investors put their money to work in the high-tech sectors. Sharply higher shares in the internet, telecoms and semiconductor sectors set off a rally in the Nasdaq composite index, which was up more than 3 per cent or 69.78 at 2,379.28.

A series of deals and decisions moved stocks. Telecoms company MCI/Worldcom gained 5 per cent or $3⅞ to $80$\frac{1}{16}$ after the company reported fourth-quarter results and announced a $17bn agreement with Electronic Data Systems.

In the retailing sector, Fingerhut surged $5⅞ to $24½ after news that it was being acquired by Federated Department Stores in a $1.7bn transaction. The deal sent Federated's shares down $2¾ to $39¾.

Strong gainers among Dow shares included computer producer Hewlett-Packard, which was up $2¾ to $74¾, and financial services company American Express, up $2¾ to $99¾.

But cigarette producer Philip Morris continued to sag after a Californian jury found the company liable for $1.5m in damages in a court case. The shares lost $¾ to $40⅞. The judgment was felt by other tobacco companies. RJR Nabisco tumbled $1 to $26$\frac{1}{16}$.

American International Group gained $7¼ to $105⅝ after the company reported better-than-expected earnings and made optimistic comments about pricing.

Shares of Lycos surged almost 17 per cent to $102 after analysts at Hambrecht & Quist raised its rating to "strong buy".

There was speculation that the internet company's deal to be acquired by USA Networks, which sent Lycos shares tumbling in recent days, could fail.

AMR shares fell $$\frac{5}{16}$ to $55¾ after it was forced to cancel more flights in spite of a court ruling that ordered the airline's pilots to return to work.

TORONTO reversed a three-day decline in early trading, sending the 300 composite index up at noon.

Banks and telecoms led the rally. Toronto-Dominion Bank gained C$2 to C$62.50 and Canadian Imperial added C$1 at C$36.20. Royal Bank of Canada improved 15 cents to C$76.25.

In telecoms, Northern Telecom rose C$3.65 to C$88.75 and Newbridge Networks C$1.30 at C$41.70. BCE, which has a big stake in Nortel, rose C$1.45 to C$63.20.

Elsewhere among industrials, Alcan Aluminium pushed 65 cents higher to C$36.90 while diversified conglomerate Canadian Pacific rose 65 cents to C$29.05.

On the downside, Seagram gave up 40 cents at C$72.20 after dropping into losses for the second quarter as a result of heavy charges associated with its PolyGram acquisition.

Gold leaders were mixed. Barrick shed 15 cents at C$28.25, but Placer Dome hardened 15 cents to C$17.

## Mexico City gains on back of stronger peso

A good day for the peso sent MEXICO CITY steeply ahead in early trading. Brokers said that currency optimism coupled with some good foreign demand for equities and a decline in local money market rates had boosted investor sentiment.

Market heavyweight Telmex jumped 55 centavos to 26.30 pesos and at midsession the benchmark IPC index was up 107.25 or 2.7 per cent at 4,048.74.

SAO PAULO picked up where it left off after Wednesday's late rally, moving higher in steady volumes. At midsession, the Bovespa index was up 171 or 1.9 per cent at 9,024.

SANTIAGO continued to gain ground amid persistent rumours of large share stakes changing hands in the electricity generating sector. The IPSA index was 2.16 or 2 per cent higher at 111.25 at midsession.

# Mobile stake lifts Telekom

**EUROPE**

European markets rallied modestly, FRANKFURT ending within 8 points of its session best, adding 55.25 at 4,869.29 on the Xetra Dax index.

Deutsche Telekom pushed ahead strongly on news of cellular expansion. The German market heavyweight, which is taking a controlling stake in Austria's second biggest mobile phone group, rose €2 to €36.60.

Adidas-Solomon continued to climb off recent lows, gaining ground for a sixth session on the back of last week's upbeat forecasts for 1999. The shares, which touched a low of €69.90 at the end of January, rose €1.50 to €87.

Pharmaceuticals group Schering gained €2.60 to €118 on hopes for a breakthrough into the Japanese market for its contraceptive pill. A marketing link with Electronic Data Systems of the US helped lift software leader SAP €8.29 to €321.

**The FTSE Eurotop 300 index rose 16.32 or 1.40 per cent to 1,181.18. See Euro Prices page.**

BMW stayed weak, unwinding more of Monday's gains, built up after management changes sparked a wave of takeover talk. The shares came off €3 to €707.

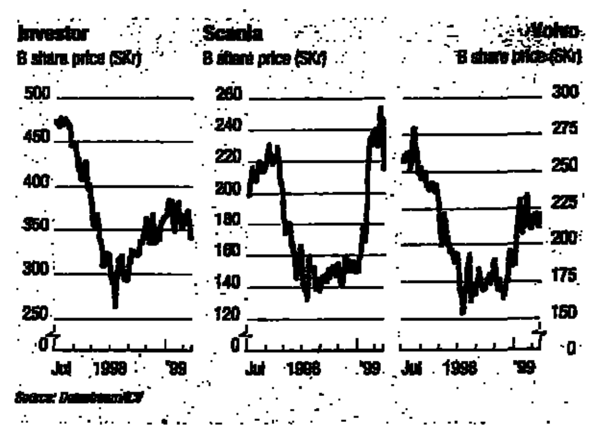
Lufthansa hardened 25 cents to €18.45, rated a trading buy by Goldman Sachs, which sees it as the pick of European airlines.

Talk that Mobilcom could win promotion to the benchmark Xetra Dax index sent shares in the telecom group up €20.50 to €372.

AMSTERDAM brushed aside unsettling results from a couple of market heavyweights to close with the AEX index up 5.58 at 518.07.

Royal Dutch fell €1 to €38.55 after unveiling charges for restructuring and asset write-downs that were heavier than analysts had predicted. Philips' strong overall earnings contained enough disappointments to send the shares down €59.80 at one stage. They closed 15 cents better at €63.05.

Unilever stayed firm, adding €1.60 at €65, and telecoms leader KNP gained €1.70 to €42. ING racked up the day's best performance, advancing €2.10 or 4.4 per cent to €50. In smaller caps, electronics group Simac Techniek crashed €7.15 or 45.7 per cent to €8.50 after a profits warning.




PARIS closed 1.8 per cent higher following a modestly positive start on Wall Street. The CAC 40 index settled 70.41 higher to 4,072.34.

Leading the pack with a 6.5 per cent rise were Accor, up €13.40 to €219.40, and Michelin, up €2.40 to €39.40, after both reported healthy 1998 sales.

Bank stocks staged a comeback after a wobbling start to the week. BNP gained €4 to €76 on rumours it could join Axa in a counter-bid for Paribas. CCF followed the lead, rising €1.20 to €76, while SocGen, up €1.70 to €136.90, and Paribas, up €1.15 to €85, posted more modest advances.

Axa, which reported 1998 revenues up 1.9 per cent, closed €3.90 higher to €116.90.

Canal Plus continued to thrive on unconfirmed reports that it could link with Rupert Murdoch in an attempt to carve up the European pay-TV market. The shares added €13.90 to €284.90.

Shares in Eramet were suspended after a long-awaited announcement by the government that it would divest part of its majority state in the nickel and steel group.

ZURICH closed mixed after a directionless session with the SMI index 7.7 higher at 6,898.8.

Novartis again saw heavy trade, closing SFr24 lower at SFr2,530, while Roche certificates put on SFr170 to SFr17,740.

A similarly mixed trend emerged among financials, where UBS retreated SFr2.50 to SFr436 while CS Group put on SFr5.25 at SFr220.

Speciality chemicals company Clariant eased SFr5 to SFr700. News of a 6 per cent fall in 1998 sales was in line with expectations.

Pharmaceuticals group Ares-Serono put on SFr25 to SFr2,390 after the company said it had received European Commission approval of its Rebif multiple sclerosis drug. The company also announced collaborations worth up to $100m with the Anglo-US vaccines group Powderject Pharmaceuticals.

STOCKHOLM failed to make progress during a cautious session and the general index eased 4.02 at 3,235.73.

Volvo closed SKr12.50 higher at SKr223.50 in spite of profits that came in below expectations. Chief executive officer Leif Johansson said that Volvo was in no hurry to do a deal with Scania, after Percy Barnevik, the chairman of Investor, said Scania could continue on its own for the next six or seven years, and that Investor was not seeking buyers.

Scania tumbled SKr29 or 12 per cent at SKr216 and Investor finished SKr9 lower at SKr337.

MILAN put in a late burst as investors snapped up Pirelli and Fiat, which took the real-time Mibtel index 366 higher to 23,011.

Cable and tyre maker Pirelli closed 24 cents higher at €2.67 on speculative buying and after France's Michelin also surged on sales that matched expectations.

Fiat rose 21 cents to €2.93 amid fresh speculation about European restructuring and a more positive sentiment towards Brazil.

Banca Intesa put on 31 cents to €4.49 as the stock caught up with recent gains elsewhere in the sector. The share was also boosted by hopes that the proceeds of its forthcoming capital increase would be used to fund acquisitions.

**Written and edited by Michael Morgan, Jeffrey Brown, Paul Gregan and Peter Hall**

## Industrials power Jo'burg

**SOUTH AFRICA**

A firmer rand plus a good day for bonds helped lift Johannesburg and at the close the all share index was up 49.6 at 5,887.1.

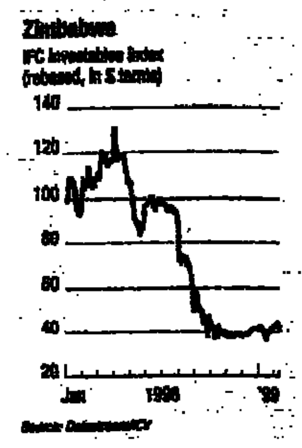
Industrials supplied most of the momentum, adding 1 per cent at 6,690.1. Retailers rose almost 2 per cent. Financials hardened 0.1 per cent at 9,161.8 while golds continued to move lower.

Anglogold, the sector leader, fell 20 cents to R242. The golds index ended 0.8 per cent lower at 904.6.

**EMERGING MARKET FOCUS**

# Political crises hinder Harare

Increased political tensions and a worsening economic situation are threatening to undermine a recovery on the Zimbabwe stock exchange, one of the worst performing emerging markets last year.




Student protests earlier this week against President Robert Mugabe's weekend attack on the judiciary, uncertainity over donor support for the currency, balance of payments and a much criticised land redistribution policy have combined with fears about this year's tobacco crop to cast a new shadow over the bourse.

The market plunged in 1998 as foreign investors baled out amid worries about a political crisis triggered by a compensation package for war veterans and the controversial land programme. By the end of the year the stock market had fallen 58.2 per cent in dollar terms as declining commodity prices added to the country's woes.

A recovery that began towards the end of last year had been expected to continue this year. "People realised this was a market that had fallen too far and there were some bargains to be had," said one Zimbabwe market specialist.

But a three-day shutdown of the market last month – over a new five per cent tax on the gross capital income on any sale of shares – curtailed activity. The action forced the government to withdraw the measure.

Buyers returned following the closure before renewed political tension and worries about the country's talks with the International Monetary Fund and World Bank brought another retreat this week. One analyst said: "Much of the buying is coming from locals who recognise the market is cheap and they may have few alternatives for investment."

Foreign buyers have continued to sell. Derek Hammond at T Hoare & Co said: "There are some good companies that are doing well and would be good investments but the country risk is too high. Things have deteriorated on an economic, financial and political level, so we are still telling investors to avoid Zimbabwe."

A previous major investor in Zimbabwe said simply: "The politics is all wrong. I have pulled out of the market and I am not returning until Mugabe is gone."

Worries about the effect of the rains on agriculture have been compounded by declining prices and increased international competition for tobacco, one of the main exports.

Foreign exchange volatility has been reduced by an agreement by the country's banks to keep the currency below Z$40 to the US dollar. But analysts see this as grounds for caution.

Jenny Chamberlin at HSBC said: "I am concerned about the unofficial peg of the currency. It seems as if the government has introduced currency controls through the back door. This causes concerns about the state of the country's foreign exchange reserves."

Yesterday, the market closed at 6,888.19, a 7.1 per cent decline this week, although it remains 2.7 per cent up on the year.

**Joel Kibazo**

# Singapore shoots 5.5% higher

**ASIA PACIFIC**

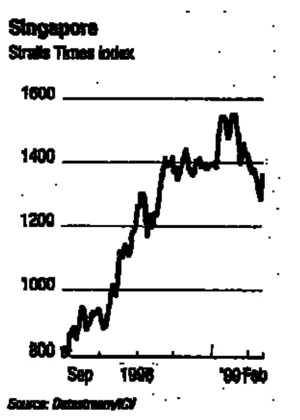
A two-week correction came to a halt in SINGAPORE as bargain-hunters pushed the Straits Times index 5.5 per cent or 70.61 higher to 1,357.17 – its largest single-day gain since the start of the year.

The sharp rebound, which traders expected to be short-lived, was strongest in the banking sector, with the big four banks accounting for 60 per cent of the index's rise.

OCBC foreign was up S$1 to S$10.40, while OUB foreign closed 85 cents higher to S$5.95 and UOB foreign gained 65 cents to S$8.85.

Keppel TatLee Bank was boosted by news that it had entered talks with foreign investors. The move, which could lead the bank to sell part of its holdings in exchange for management and technological expertise, sent the stock 32 cents higher to S$2.74.

KUALA LUMPUR was higher as investors focused on a newspaper report that the government was coming up with a concrete plan to resolve the ban on Malaysian shares traded in Singapore.




However, most shares ended off their day's highs due to lack of adequate support from local funds and retail investors and the continued absence of major foreign investors.

The composite index ended 16.8 or 3.1 per cent higher at 562.95 although volume remained thin at 143.9m shares.

Dealers said the newspaper report gave hope that the issue of shares traded in Singapore, now frozen, would be resolved, erasing lingering fears of those stocks flooding the Kuala Lumpur bourse and causing prices to fall when they are allowed to be re-traded in Malaysia.

JAKARTA closed 1 per cent higher, lifted by a technical rebound in blue chips Telkom and cigarette producer HM Sampoerna. Telkom rose Rp225 to Rp2,950 while HM Sampoerna put on Rp400 to Rp6,075.

The enthusiasm failed to extend to other market heavyweights, which closed mostly lower after posting intra-day gains. Tin producer Tambang Timah shed Rp400 to Rp4,800 while Indosat slid Rp25 to 11,975.

The composite index was 3.97 higher to 402.6.

WELLINGTON rallied, regaining half the previous day's heavy falls as worries about an upturn for interest rates faded.

Volume improved markedly, just about doubling from Wednesday's levels, and at the close the 40 capital index was up 33.73 or 1.6 per cent at 2,137.54.

Leading brewer Lion Nathan produced one the better performances of the session, adding 22 cents at NZ$4.55.

SYDNEY ended higher after a results-led surge for media giant News Corp, which trounced analysts' forecasts with a sparkling set of six-month results and advanced 40 cents or 3.6 per cent to A$11.57.

Commonwealth Bank, which announced upbeat results and share buyback plans on Wednesday, added a further 16 cents at A$24.97, but Westpac came off 30 cents at A$10.20 on news of a senior resignation. The All Ordinaries index ended 12.2 ahead at 2,867.

**Tokyo and Taipei were closed for public holidays**

HONG KONG was driven higher in thin pre-holiday trade by gains in overseas markets and futures-related buying. The Hang Seng index gained 70.47 to 9,146.80 in turnover of HK$2.4bn.

Easier interbank interest rates helped to provide some support for interest rate sensitive blue chips. Cheung Kong rose HK$1.10 to HK$49 and HSBC HK$1 to HK$186.50.